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NAVAL POSTGRADUATE SCHOOL
MONTEREY, CALIFORNIA



THESIS

A COMPARISON OF THE POST-COLD WAR
DEFENSE BUDGET REDUCTION TO PRIOR
POST-CONFLICT REDUCTIONS AFTER WORLD
WAR II, KOREA AND VIETNAM

by

Edwin Ferebee Williamson

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Jerry M. McCaffery

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to Prior Post-Conflict Reductions After World War II, Korea
and Vietnam

by

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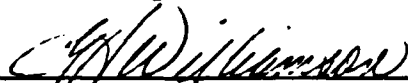
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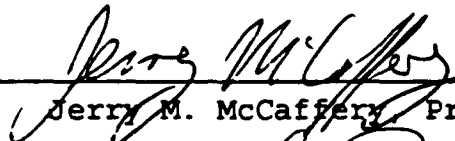
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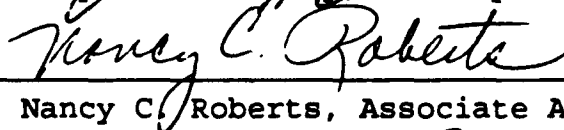


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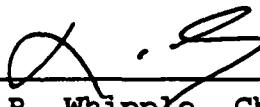
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ABSTRACT

This thesis compares the current drawdown in defense budgets to those which occurred after World War II, Korea and Vietnam. Each post-conflict period is examined with respect to the Department of Defense and Department of the Navy, comparing the degree and rate of reductions in budgets, manning and ships. There are three principle conclusions drawn from the research. First, that President Eisenhower was uniquely successful among post-conflict Presidents in maintaining the balance between force levels and funding during post-conflict drawdowns. Second, that the post-Vietnam "hollow forces" occurred when funding was insufficient in the face of inflation to sustain the change to the all volunteer force. Third, that early signs in the current reduction point to the possibility of similar difficulties in balancing reductions in forces and budgets.

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I. INTRODUCTION

A. BACKGROUND

The Armed Forces of the United States have been reduced following each major conflict of the past fifty years: World War II, Korea, Vietnam. At the apparent end of the Cold War we now face another period of retrenchment. The current drawdown is only partially completed, but current trends suggest that this will be a significant reduction of our military forces. Indeed, it may be the most severe drawdown since World War II. This thesis examines this drawdown in the context of the previous defense budget drawdowns.

B. RESEARCH QUESTIONS

Three research questions are addressed.

1. What kind of reduction of the military has occurred in each post-conflict period since 1940? What is the extent and nature of the reduction?
2. What reasons were given by the decision makers for the choices made during the drawdowns? Is each period unique, solely the result of existing conditions and motivations? Or, is there a pattern to the drawdown process such that factors can be abstracted and similarities between the separate post-conflict periods identified?
3. Based on the lessons of past post-conflict reductions and current trend lines, what can be expected during the latest drawdown period?

C. OBJECTIVE

This research identifies what has occurred to date in the latest military drawdown, and what was done in each of the four post-conflict periods. The reasons advanced for the reductions are reviewed for the purpose of applying them to the current period of reduction and to identify points of similarity and difference among them.

D. SCOPE

The focus of the research is on the Navy and the Department of Defense. The other services are mentioned as necessary for comparison. Research covers both defense budgets and force levels, and is centered around the annual fiscal year Presidential budget requests and the actual authorizations by Congress.

The potential depth of analysis for each individual historical period is great. However, given the limitations of time and resources, histories will not be exhaustive but only sufficient to ascertain the stated objectives.

E. METHOD

Measures are taken of the reductions for each period. Three variables are used for measuring the force level:

1. Money: budgetary dollars, including budget authority and outlay, for both DOD and the Navy;
2. Equipment: ships, total and combatants;
3. People: personnel levels (uniformed).

Anticipated scoring methods include:

1. degree of change (dollars, number, percentage);
2. rate of reduction (an amount divided by a period);
3. range of change (from peak to a trough over a period).

Analysis is drawn from comparisons with and among:

1. prior years;
2. total DOD and DON;
3. total government;
4. various economic and demographic measures, including GNP, employment, interest rates, inflation, and population.

F. SOURCES

Sources for the research include official statements, publications and documents of the federal government and officials, congressional testimony, and the recorded statements and memoirs of participants. Historical records were reviewed to survey the stated reasons of contemporary decision makers for each period. Secondary sources were sampled for retrospective analysis of the validity of those justifications in light of subsequent events. The sources for all budget figures, charts and tables are the official budget documents of the United States, except where noted.

G. LIMITATIONS

Externalities are always significant factors in public policy decisions. These include technological advances,

world events, and personalities. Their impact is difficult to quantify, and their occurrence is random. They are briefly acknowledged in later chapters where incident to turning points in the defense budgets.

E. ORGANIZATION OF CHAPTERS

Chapter II., "Framing The Issue," establishes the underlying competition between economic goals and defense goals, setting the stage for the following chapters. It briefly reviews the early history of military reductions, and more clearly identifies the core, related issues, including some beyond the scope of this research. A sampling of the existing literature is provided.

Chapter III., "Post-Cold War," identifies the point from which the current drawdown begins, details the force level reductions by the Bush Administration during the period 1989 through 1992, and reports early actions by the Clinton administration. The reduction is measured in accordance with the procedures outlined in section E. above. The various justifications advanced by participants are chronicled. Chapters IV. through VI. repeat this procedure for separate periods.

Chapter IV., "Post-World War II," addresses the reductions of the period 1945--1949, covering the Truman administration and ending with the Korean War.

Chapter V., "Post-Korea," addresses the period 1953--1960, covering the Eisenhower administrations.

Chapter VI., "Post-Vietnam," addresses the period 1974--1979, and the Nixon, Ford and Carter administrations. Specific attention is given the question of the "hollow forces."

Chapter VII., "Conclusions," examines patterns, similarities and differences among the periods. Conclusions are made regarding common factors among all post-conflict drawdowns, along with recommendations for future research.

II. FRAMING THE ISSUE

This chapter reviews the cyclic history of America's defense spending and sets the stage for the closer examination of the four most recent examples in the following chapters. It begins with an acknowledgement of the fundamental competition between economic and military power, and reports the early history of America's periodic defense mobilization and demobilization. The drawdowns are shown to be driven by both fiscal restraints and strategic philosophy. A brief sample of the literature on defense sizing introduces two perspectives on the proper level of peacetime military forces: the pre-Cold War tradition of a citizen army, and the more recent tradition of a professional force and sustained readiness. These provide a framework for the detailed analysis in following chapters. The Reagan buildup is outlined to provide perspective on the current drawdown. The chapter concludes by identifying the common measures of defense spending, and applying them to an overview of the four periods. Subsequent chapters then focus on into each period separately, to more closely illustrate and analyze the current drawdown.

A. THE NATIONAL POWER EQUATION

In his history of the great powers, Paul Kennedy addressed the question of why great powers rise and fall. His conclusion was that throughout history a nation's power has always been largely determined by the balance among its military power, economic power and geography.

If that balance is lost, power decreases, despite abundance in one of the two areas. National security strategy must consider this balance.
(Kennedy, 1987, p. xv)

Economists acknowledge the inseparable nature of these two competing national goals, defense and economy.

When it comes to the making of national policy, two major issues dominate: defense policy and economic policy. Since World War II these two issues have been of overriding importance on our national agenda.... Each is necessary for the other. (Anderson, 1988, p. 58)

Americans want to be both powerful and prosperous. They view defense as a necessity for which they will spend accordingly, and they expect Presidents to determine the safe level for defense spending, balanced with economic prosperity. The symbiotic relationship between the military and economy has been understood and managed by successful administrations.

Besides the basic question of war or peace, the most important question any modern President faces is the size of the defense budget. Everything else...is directly related to how much DOD spends.
(Ambrose, 1984, p. 88)

Periodic decisions by administrations to reverse the direction of defense budgets have not been accidental. In

his inauguration speech, President Kennedy told all the nation's "friends and foes alike" that we would pay any price, bear any burden. Before taking office President Reagan signaled the world that he would pay that price. Early in 1979 he advertised his intention to build defense expenditures to a projected cumulative increase of 69.8% over five years.

TABLE 1. REAGAN CAMPAIGN PROPOSED DEFENSE BUDGETS

| year | spending | increase |
|------|----------|----------|
| 1981 | \$159 B | --- |
| 1982 | \$187 B | 17.6% |
| 1983 | \$212 B | 13.4% |
| 1894 | \$239 B | 12.7% |
| 1985 | \$270 B | |

(Source: Anderson, 1988, pp. 134-6)

B. A LONG HISTORY

America's tenure as the world's greatest military power is a short one. Our martial history is a cycle of crisis, mobilization, victory and subsequent demobilization. Historian Barbara Tuchman identified three principles to explain this phenomena, and how Americans view military power:

1. unpreparedness until the eleventh hour;
2. undertaking the quickest feasible strategy to victory;

3. instant demobilization, no matter how inadvisable, the moment hostilities are over.

Tuchman concluded that these were the result of a cultural opposition to standing armies and noted that each war has required a massive call to arms from the citizenry.

(Tuchman, 1982, pp. 5-8) The Continental Army evaporated within two months of signing a preliminary peace. The United States entered the Mexican War with only 4,000 men and twelve field guns. Before the War Between the States, the United States had attained world class economic power, but the army consisted of only 26,000 men. President Lincoln unbalanced the power equation and borrowed heavily to conquer the Confederacy, acquiring and employing military forces for a purely political purpose--the preservation of the union. The Civil War transformed the nation for the first time into the greatest military power on earth (Kennedy, 1987, p. 179). America then disarmed, except for the requirements of the Indian wars in the west. World War I required a massive mobilization of manpower, and for the second time, by 1918 the U.S. was "indisputably the strongest Power in the world." (Kennedy, 1987, p.xix) By 1940, that army was reduced to only the 19th largest in the world, with only a bit over 100,000 men in uniform, less than 500 machine guns and less than 50 tanks, and George Marshall, Army Chief-of-Staff, complained about this aversion to maintaining the army during peacetime.

They'll spend billions to fight the war, but will not spend a few millions to prevent one (American Experience, Marshall, 1993).

C. THE POST-WAR DEBATE

Whether we would spend sufficiently during peace to prevent wars, and how we would determine that sufficiency occupied the country between conflicts in the 1950's, 1970's and 1980's. Each peace-time administration wrestled with the power equation balance. President Eisenhower relied on nuclear deterrence as a cheaper defense. President Nixon resorted to the all volunteer force as the answer. President Carter's pursued diplomacy and high ideals in lieu of combat operations, but high inflation and interest rates, the Iranian hostage crisis, and low defense readiness led to his defeat in 1980. President Reagan simultaneously embraced the objectives of a robust domestic economy and the strongest possible national defense. His defense goals were met, but with unforeseen fiscal effects. Revenue receipts of 1981 fell, leading to larger than anticipated deficits, later compounded by increased defense spending (Schick, 1991, pp. 70-78). When the budget deficits rose, and he had to chose between life-long values of fiscal conservatism and a strong defense, Reagan never hesitated--defense spending would go forward.

The defense budget cannot be determined by other programs; what we spend on defense is what we must spend

to maintain our national security. (Reagan, as quoted by Anderson, 1988, pp. 335-336)

Reagan's call for a defense buildup was popular with the electorate and supported by many strategic thinkers, including those who formed the Committee on the Present Danger to criticize the Carter neglect of defenses. (Callahan, 1990, p. 388)

TABLE 2. PUBLIC CONFIDENCE IN THE MILITARY

| year | great/very high |
|------|-----------------|
| 1981 | 50% |
| 1983 | 53% |
| 1985 | 61% |
| 1987 | 61% |
| 1989 | 63% |
| 1991 | 85% |

(Source: The Gallop Poll, 1991)

The 1990 rating was Gallop's highest ever for any institution.

D. THE CURRENT DRAWDOWN DEBATE

The Soviet empire unraveled in 1991 and with it the defined military threat. The Department of Defense "Base Force" concept was designed by the Bush administration to counter the remaining threats via gradual and modest defense cuts against budget baselines. Now, in the 1990's, faced with increased economic competition from Japan and Western Europe, and steady demands by the American public for domestic programs and deficit reduction, military spending

is seen as a cause of budget woes. With military power seemingly less useful in the post-Cold War world, defense budgets are a target for "peace dividends." Some agree with Kennedy's prediction that America is entering a period of decline in its effective world power, despite its status as the only military superpower, and he cautioned against excessive defense spending.

This does not mean, however, that a nation's relative economic and military power will rise and fall in parallel.... [It is] likely to find itself spending much more on defense than it did two generations earlier. (Kennedy, 1987, p. xxiii)

Adelman and Augustine acknowledge the linkage of economic health and national security, but deny its applicability to America's current situation (Adelman, 1990, pp. 77-78). They refer to the work of RAND economist Charles Wolf, who discounts the view that America is in a decline, when a longer, pre-World War II view is considered (Adelman, 1990, p. 83). Economist Charles Schultze directly disputed notions the United States can not afford the kinds of defense spending it needs.

The United States is fortunate in having an economy that, with proper policies, can adjust to about as high or as low a level of defense spending as the nation and its leaders think proper (Ravenal, 1984, p. 4).

Ravenal goes further, and specifically states that strategy, and never fiscal issues, should guide defense budgets (Ravenal, 1984, p. 8).

Beyond the size of the defense budgets are arguments about force composition, and concerns about large, but "hollow" forces (Adelman, 1990, pp. 106-107).¹ A hollow force is relatively larger than its infrastructure supports, and occurs when funding is out of balance with force levels. The example is the post-Vietnam Navy, when ship readiness fell to where ships could not put to sea.

Ideas for preventing hollow forces include reliance on reserve components in lieu of larger active forces, and increased funding for research and development of weapon systems. The Bush administration's Base Force included both. History is replete with military failures around these factors.

...Defeat [came] upon those societies which failed to modernize their military systems, and which lacked the broad-based industrial infrastructure to support the vast armies and much more expensive and complicated weaponry (Kennedy, 1987, p. xviii).

The direct method for preventing a hollow force is reducing personnel levels and commitments in line with budget cuts. As noted, demobilization of troops was common after all conflicts through World War II, and to a lesser extent after Korea and Vietnam. The current drawdown is different because of the all volunteer force. Ravenal argues strongly for proportional cuts in personnel and funding during the current drawdown.

¹ See Ullman, 1991, and Tritten, 1991, for comprehensive discussion of force composition.

There is only one way to cut defense--that is, for more than one or two seasons, or without hopelessly unbalancing the forces...that is by cutting force structures (Ravenal, 1984, pp. 8, 15-29).

He cautioned that this would also entail reducing the military missions. Yet during the recent spending cuts, tasking has been constant, heavy and scattered geographically. Naval task forces continue to cover the Persian Gulf, Somalia, and Bosnia simultaneously.

E. TWO VIEWS OF DEFENSE MOBILIZATION

Positions on defense spending can be reduced to two opposing camps. One calls for a return to the traditional citizen army; the other wants a sustained professional force. It is helpful to summarize these and illustrate them with simple models before closely examining each of the past drawdowns in detail.

Under **VIEW ONE**, America should have a small standing military, far less than one percent mobilization of the labor force. (Figure 1) Augmentation by reserve forces and a draft are preferable to a highly paid and provisioned military and reduce the industrial-military complex. Foreign aid and diplomatic efforts are more efficient peace-keeping devices. This view resists arbitrary funding floors, but generally suggests defense spending around 10 percent of federal outlays, and less than three percent of GNP--\$150 billion 1993 dollars. Graphically, **VIEW ONE** is a

lower, level plane, punctuated by occasional peaks in response to crisis and military hostilities, after which post-conflict spending and mobilization return to the former low level state. The Cold War is seen as a forty year, non-shooting war that ended with the dissolution of the USSR. The military forces maintained during 1945-1990 are no longer required, high defense spending hurts the nation's fiscal health, and defense dollars must now be shifted to non-military purposes.

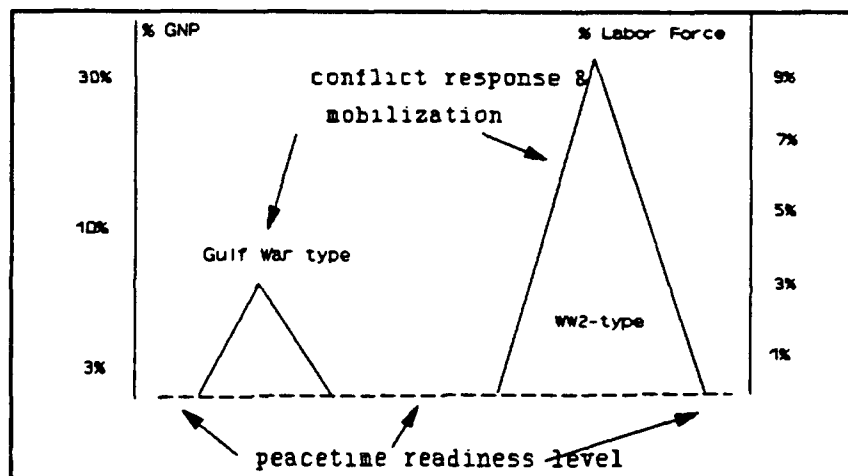


Figure 1. View ONE: Pre-WW2 Mobilization Model

Under **VIEW TWO** (Figure 2), World War II permanently changed America's international role, such that pre-war comparisons are invalid. A permanent state of high military readiness must be sustained to control lessor conflicts, intersecting them before they precipitate larger wars. The end of the Cold War did not change the equation. Indeed, military spending defeated the USSR and if continued, it will support future national security goals.

Defense budgets should remain near five percent of GNP and 20 percent of total expenditures. Active duty mobilization should be about one percent of the labor force.

Graphically, VIEW TWO is a readiness plane higher than conflict peaks. There should be no troughs, because history shows that demobilization precipitates conflict, as enemies challenge weakness and competitors fill any vacuum of leadership. Economic health is a by-product of military spending, which primes the domestic economic engine, producing jobs and technological advances. Prevention is cheaper than a cure.

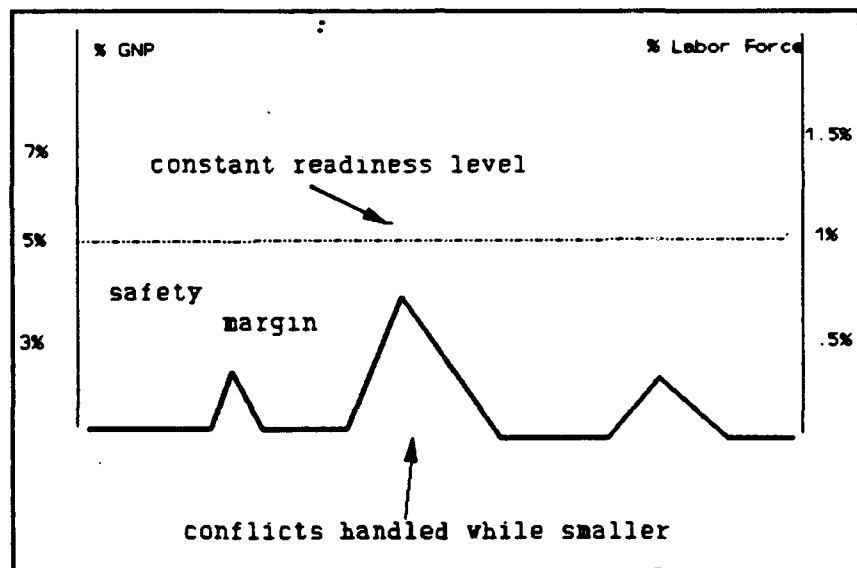


Figure 2. View TWO: Post-Cold War Mobilization Model

F. THE REAGAN BUILDUP

By definition, each cyclical period of post-conflict reduction of the armed forces must have been preceded by

some period of expansion. The most recent expansion began at the end of the Carter administration and continued through both Reagan terms. Compared to other buildups, which occurred incident to overt hostilities, Reagan's was lower in magnitude but sustained in line with a VIEW TWO-type perspective. Budget authority peaked in 1985 while outlays lagged behind, peaking and leveling in 1989. As shown in Figure 3, defense budget authority rose 129 percent in nominal dollars from the prior trough (1979) to the peak. Adjusted for inflation, that was still an impressive 57 percent. From 1979 to their peak, defense outlays rose 156 percent in nominal dollars and 55 percent in constant dollars.

Navy budgets, including the Marine Corps, have been roughly one third of total DOD spending for several decades. The increase in Navy funding during the Reagan buildup was slower, and peaked later in 1988. As shown in Figure 4, during the Carter--Reagan era of buildup, 1979--1989, Navy budget authority rose 148 percent and outlays rose 141 percent.

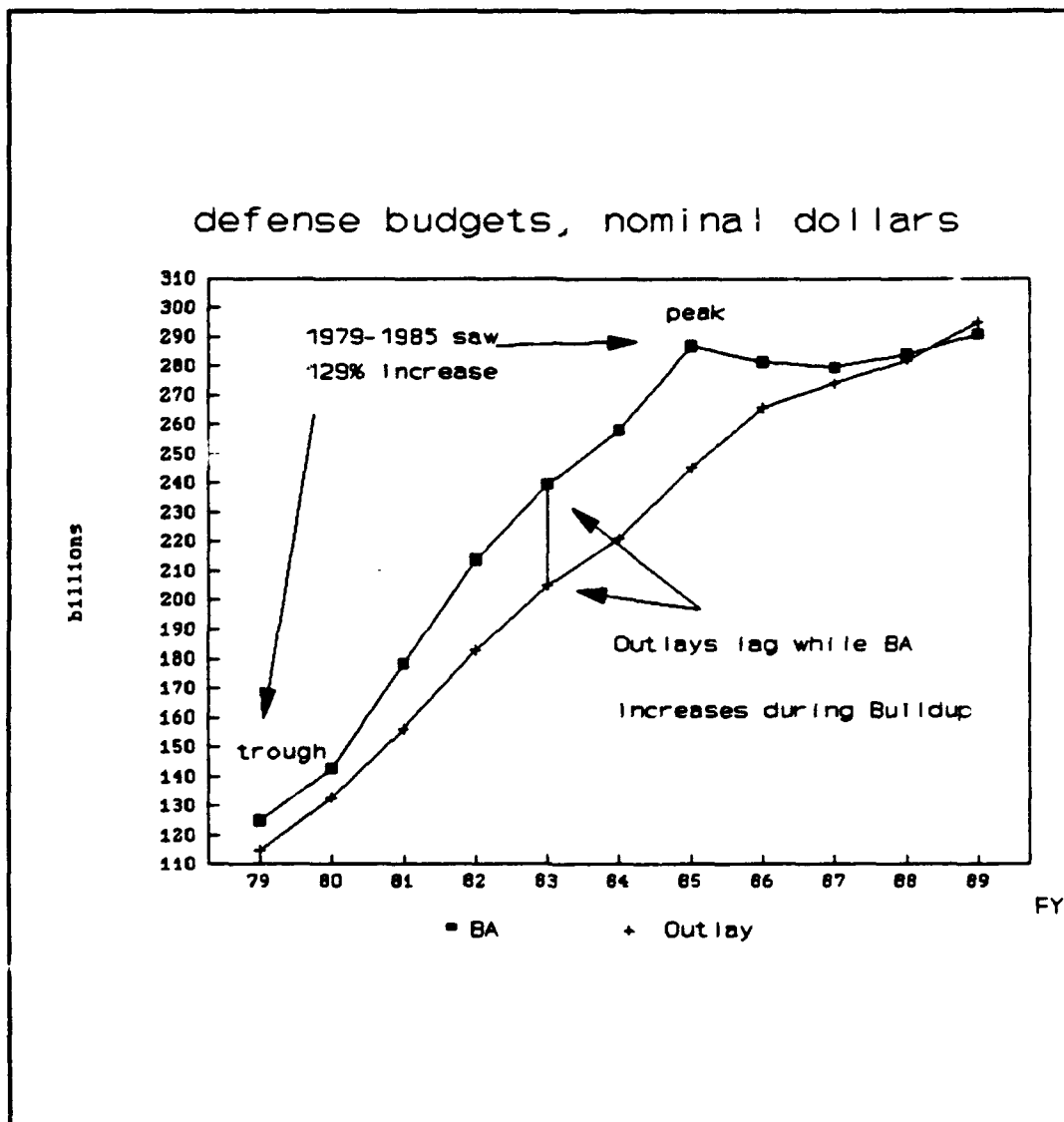


Figure 3. Reagan Buildup -- Actual DOD Spending

(Source: Budget of the United States, FY 1980 to 1990.)

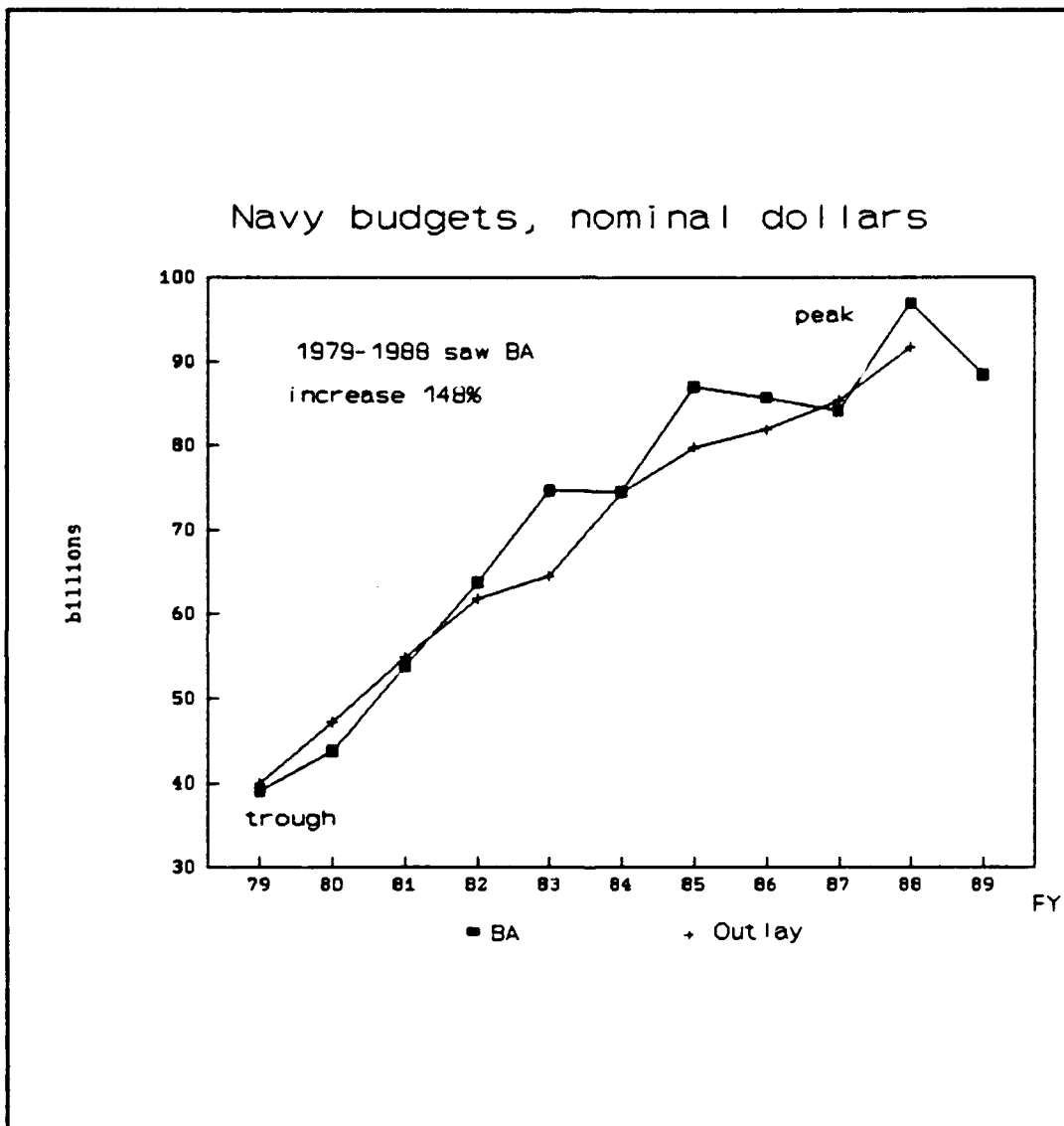


Figure 4. Reagan Buildup -- Actual Navy Spending

(Source: Budget of the United States, FY 1980 to 1990.)

The buildup was, contrary to public conception, not as dramatic in the number of uniformed personnel serving on active duty, though the reserves increased roughly one third. From 1979 to 1987, the total uniformed active duty strength increased only 7.3 percent, to a peak of 2.2 million. Navy manning rose until 1988, a net increase of 14.7 percent, to the peak of 593,000. (Figure 5) Critics of the buildup point to this as evidence that the Reagan money was wasted. Alternatively, the increased expenditures were not intended to increase the size of the military forces, but rather their quality. The all volunteer force begun in the 1970's had never been fully funded. The real change in Navy personnel was in the quality of recruits, as required for the increased sophistication of its technology.

A cornerstone of the Reagan buildup was to be a 600-ship Navy. While the number of war ships never reached the 600 goal, nor even that of prior buildups, less capable ships were replaced or upgraded with state of the art electronic technology and weapons. (Figure 6) The apparent disconnection in increases between dollars and forces is partially explained by the creeping unit cost of modern weapons. Cross-period material measures are complicated by an exchange of quantity for quality. Adelman and Augustine discuss the phenomena of rising unit procurement cost and coin a term for this phenomena: "techflation". (Adelman, pp. 90-91)

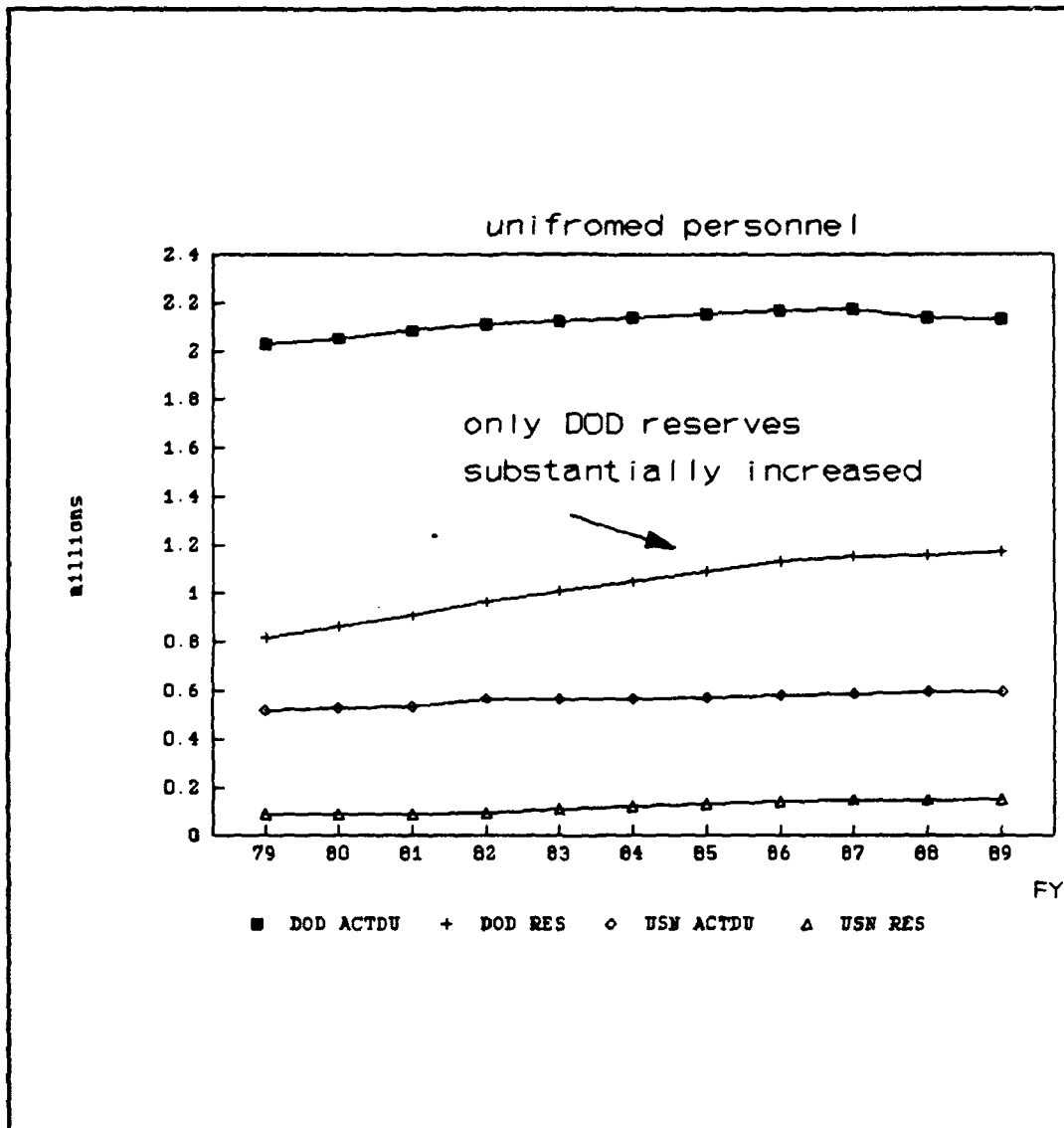


Figure 5. Reagan Buildup -- Manning

(Source: Budget of the United States, FY 1980 to 1990.)

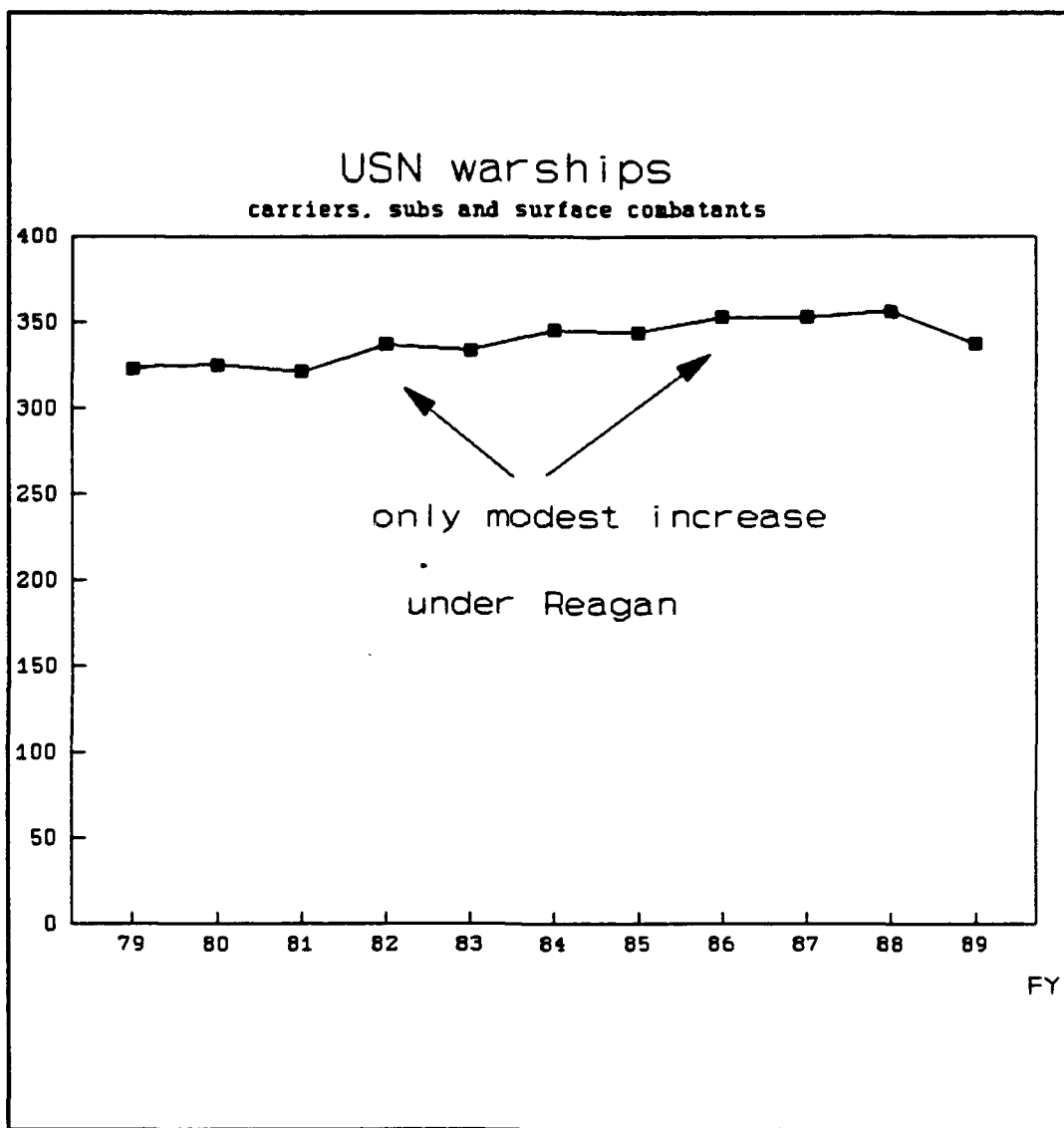


Figure 6. Reagan Buildup -- Warships

(Source: Jane's Fighting Ships, 1979-1989.)

G. SCORING THE DEMOBILIZATIONS

Military forces consist of people, material and organization, and all three require funding. The traditional analytical measurements for defense spending are as a percentage of gross national product (Figure 7), and as a percentage of total federal expenditures (Figure 8). From either, the cycles of military funding are clearly visible. The magnitude of each period's peak aligns with the scale of the combat--more for World War II, less for Korea, still less for Vietnam. Decreasing intensity and longer duration support arguments that massive world-wide conflicts of the past are anachronistic and that regional conflicts, occurring regularly but checked by the super powers, have reduced the severity of the cyclic oscillations.

Some defense analysts criticize these percentage measures. Wirl prefers inflation-adjusted spending measures. (Wirl, lecture, 1992) (Figure 9) He believes that proponents of defense spending claimed unreal reductions in the mid-1980's using percentage measures. (Wirl, Buildup, 1992, p. 207)

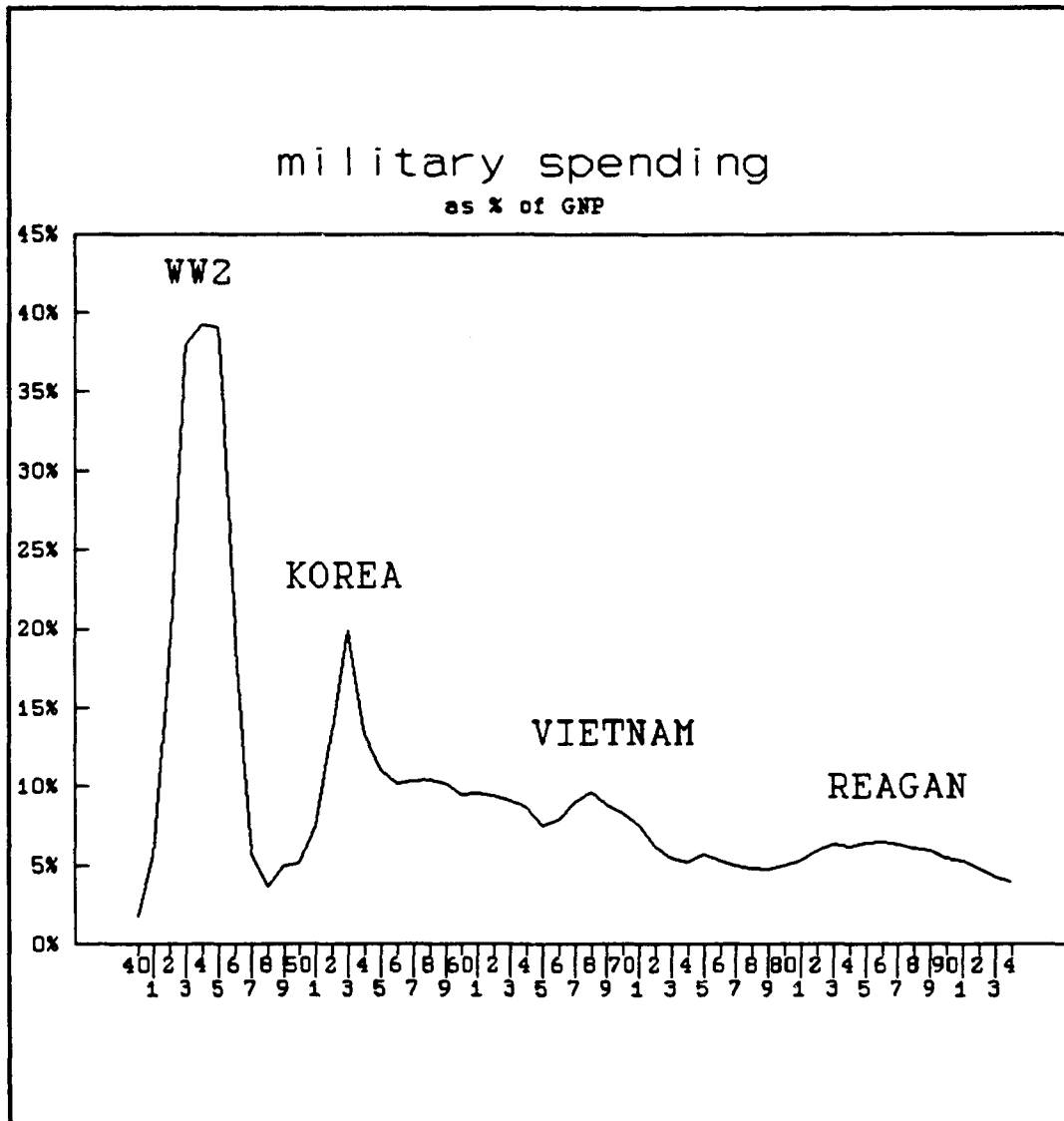


Figure 7. Defense Expenditures as % of GNP

(Source: The Budget for Fiscal Year 1994 -- Supplement.)

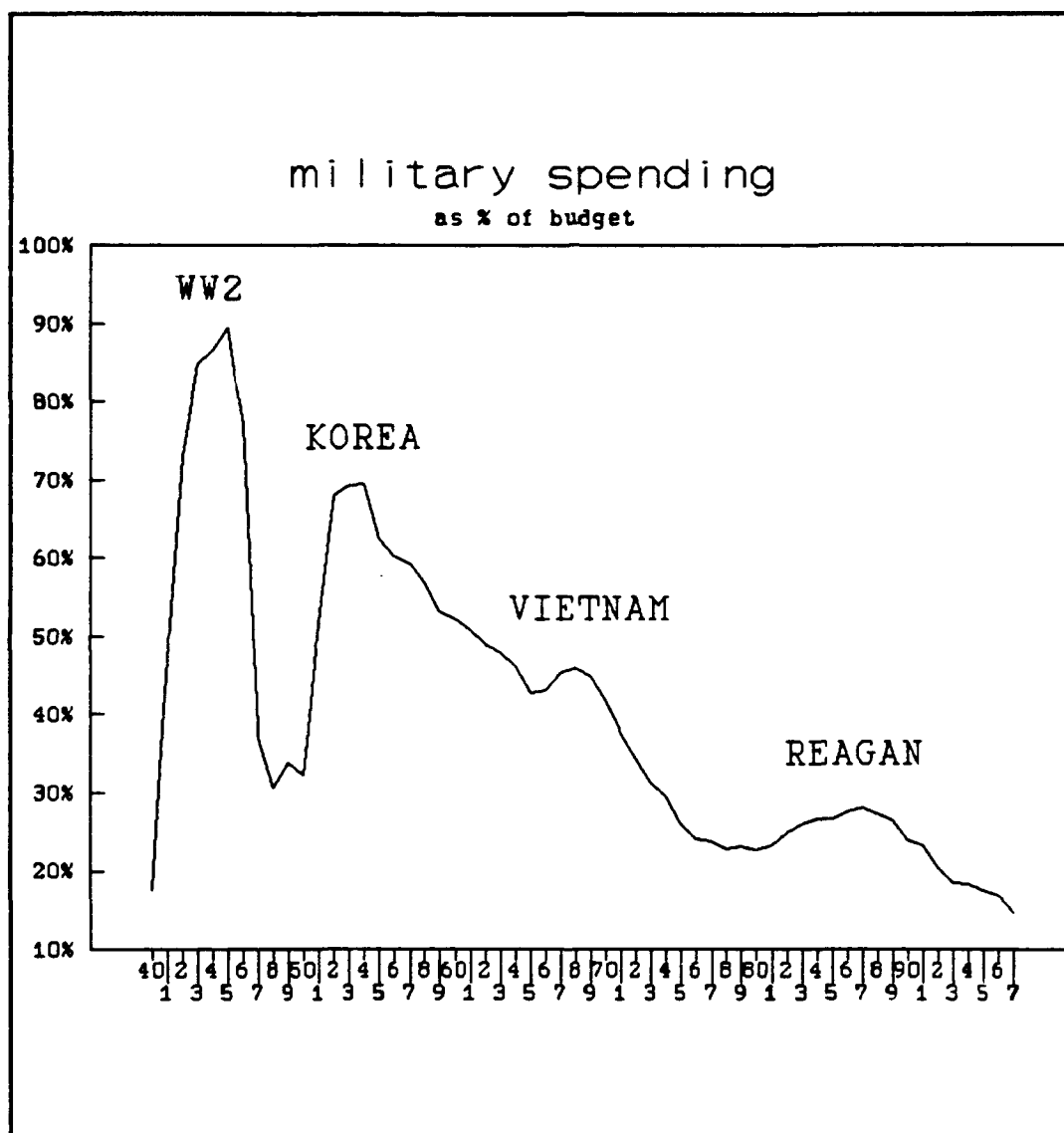


Figure 8. Defense Expenditures as % of Federal Budget

(Source: The Budget for Fiscal year 1994 -- Supplement.)

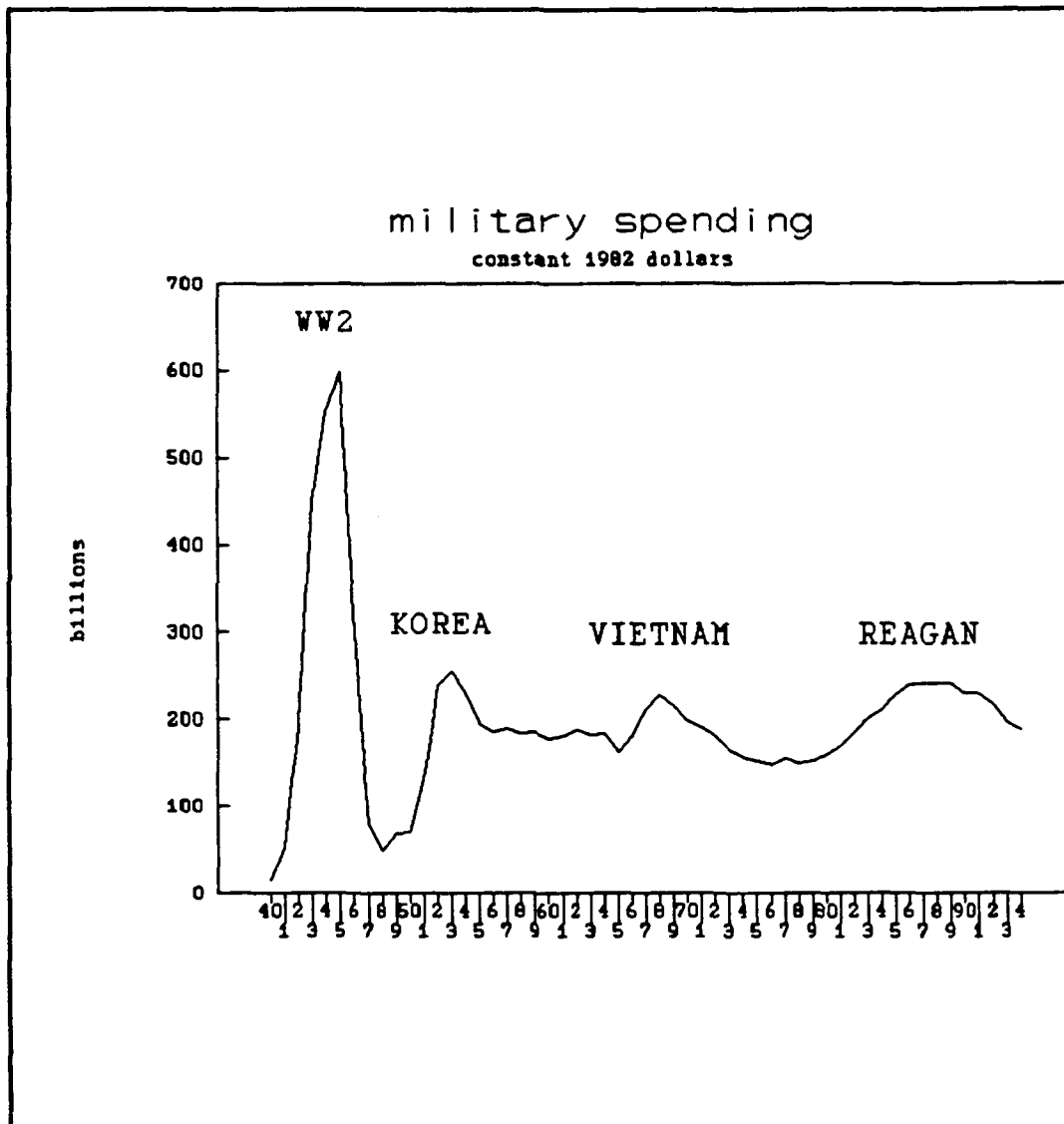


Figure 9. Defense Spending, Constant 1982 \$

(Source: The Budget for Fiscal Year 1994 -- Supplement.)

Adelman and Augustine believe comparisons of defense expenditures as a percentage of federal outlays from earlier periods with current budgets are misleading because the portion of the federal budget allotted to transfer payments has ballooned (Adelman, 1990, pp. 81-85, 107-107). (Figure 10)

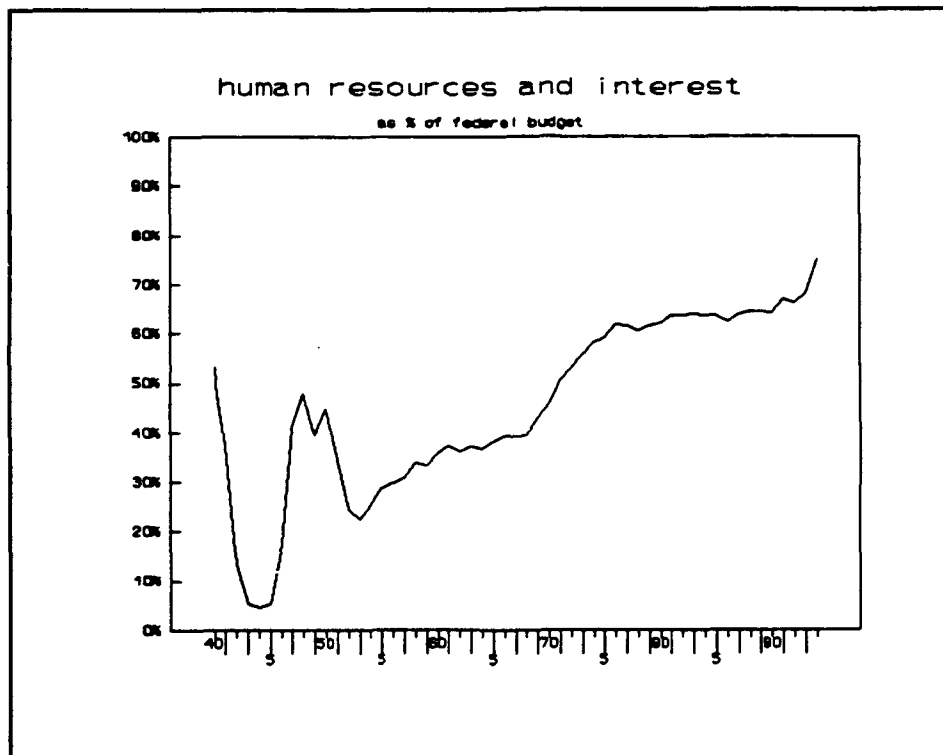


Figure 10. Social Spending Budget Growth
(Source: The Budget for Fiscal Year 1994 -- Supplement.)

These expenditures form an entirely different sort of government outlay than other discretionary domestic accounts.

A different picture of the cyclical fluctuations emerges when transfers are subtracted from total expenditures, and defense is calculated as a percentage against only discretionary spending. (Figure 11)

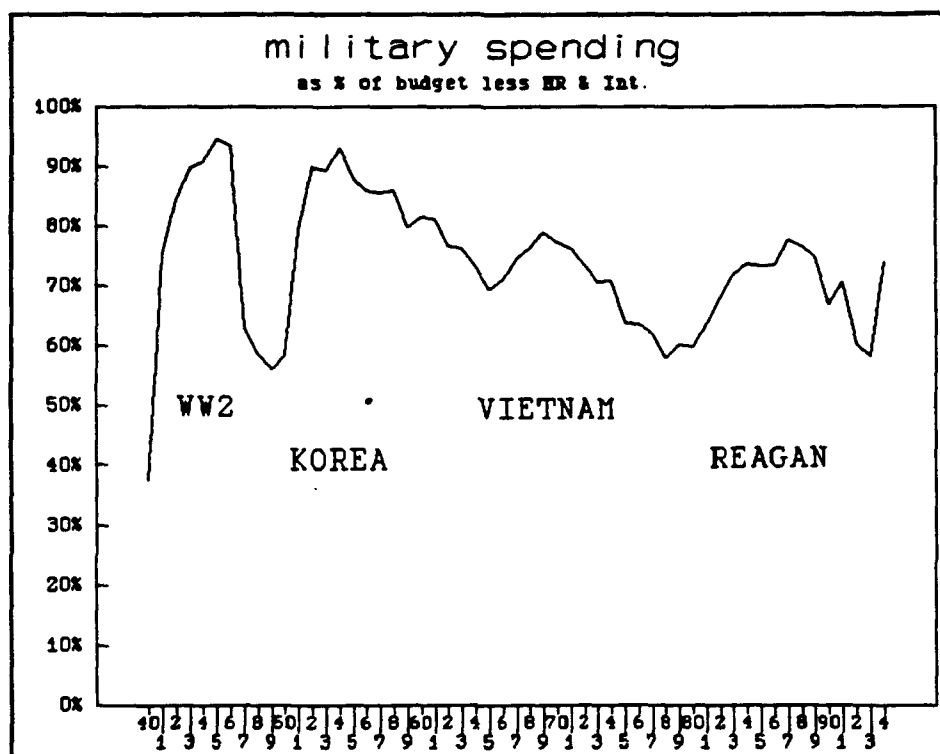


Figure 11. Defense Spending without Human resources & Interest

The cycle is visible in personnel levels, though less dramatic. (Figure 12) Navy personnel levels follow the familiar pattern. (Figure 13)

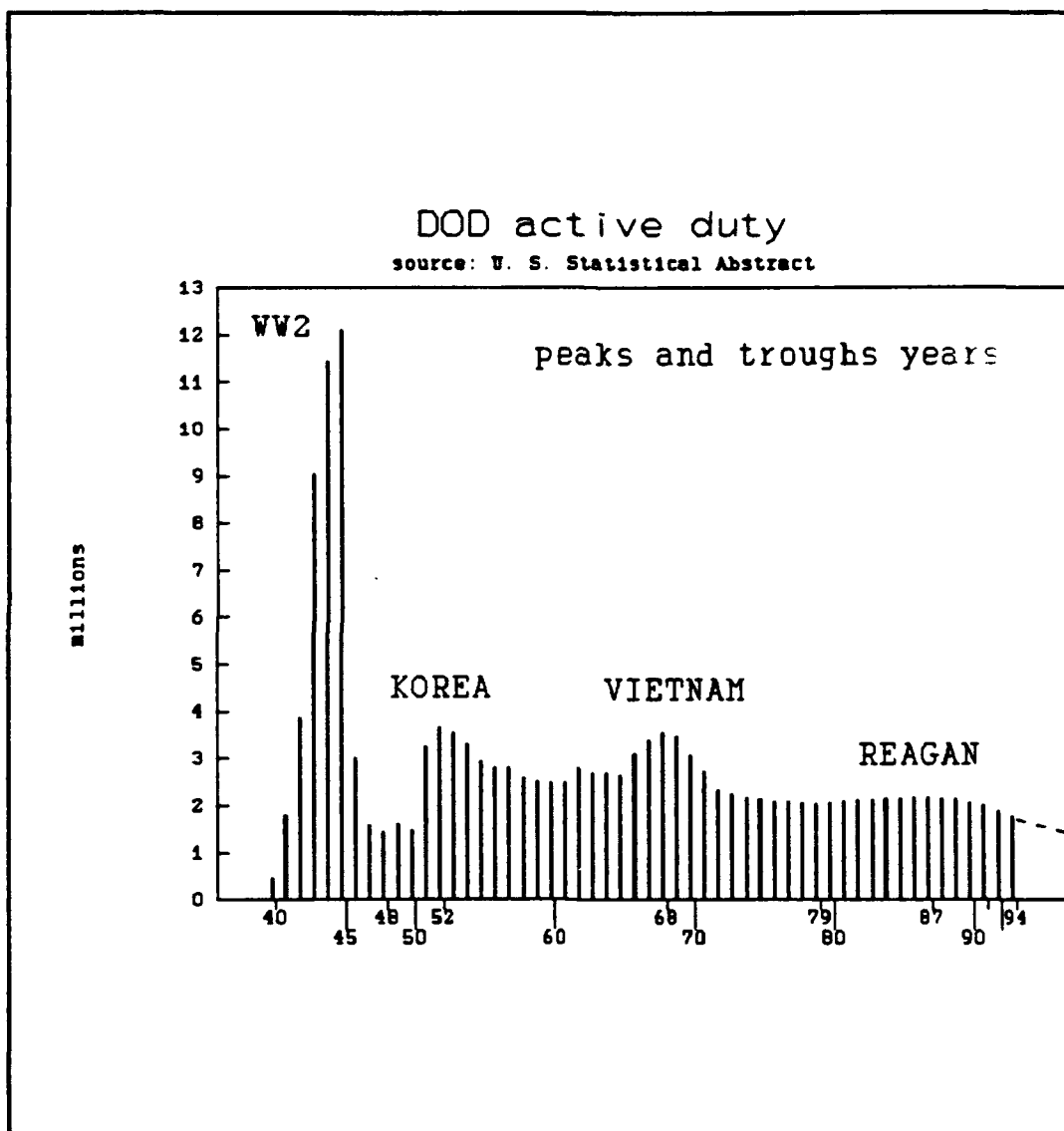


Figure 12. DOD Active Duty Personnel

(Source: U.S. Statistical Abstract.)

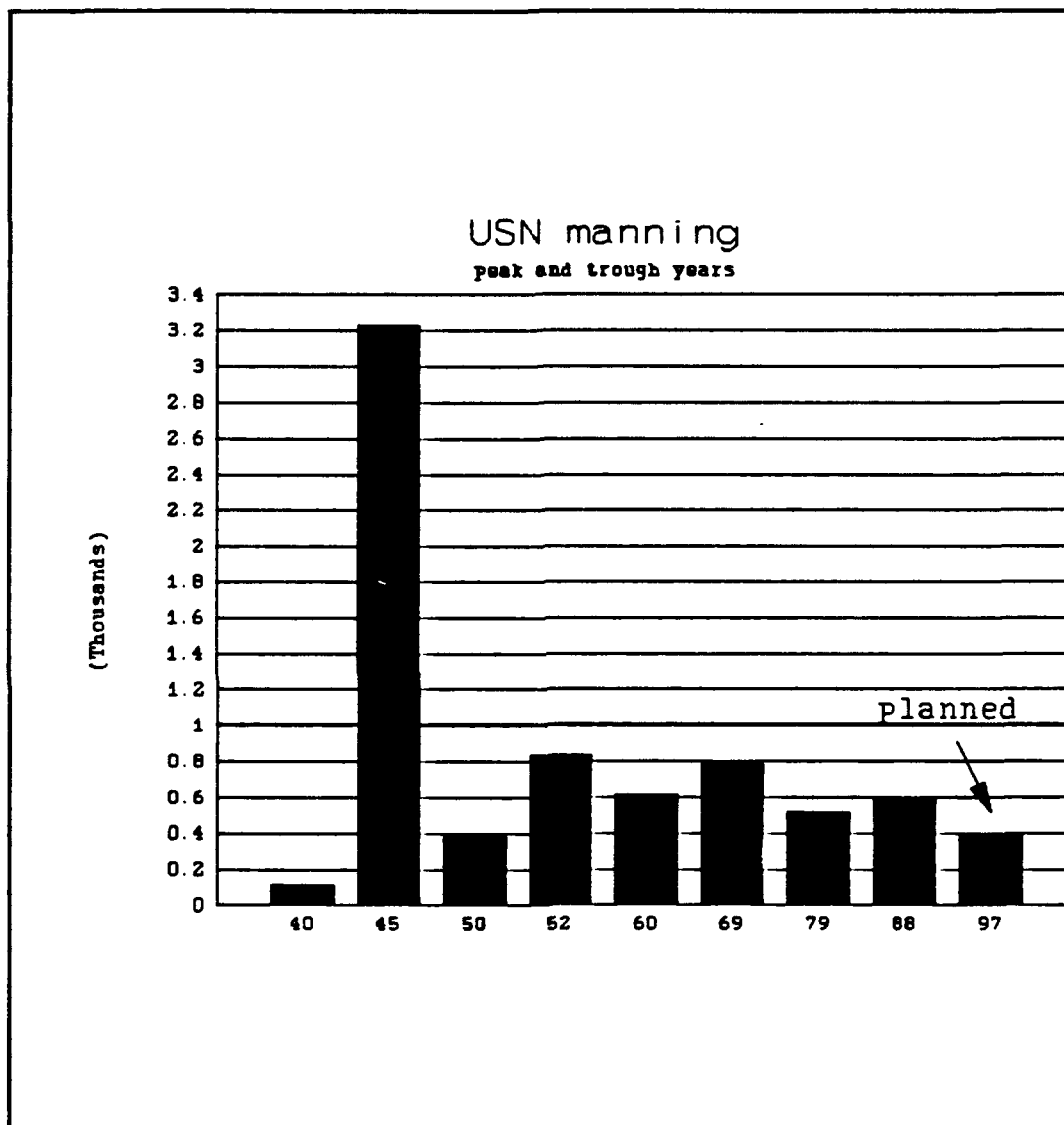


Figure 13. USN Active Duty Personnel

(Source: Budgets of the United States, FY 1950 to 1994.
1940 and 1945 Year Figures From Jane's Fighting Ships.)

Contribution of the nation's labor force to defense has been in a steady decline, with less degree of "bump" during the post-conflict periods. (Figure 14) Even the actual conflicts required less of the nation's wealth as counted in its young men.

In World War II, one man in ten was drafted to serve; the Vietnam-era draft...brought one in 20 eligible males in to the military. Today, roughly one in 42 Americans between the ages of 17 and 35 serves in the military. (Wood, 1993)

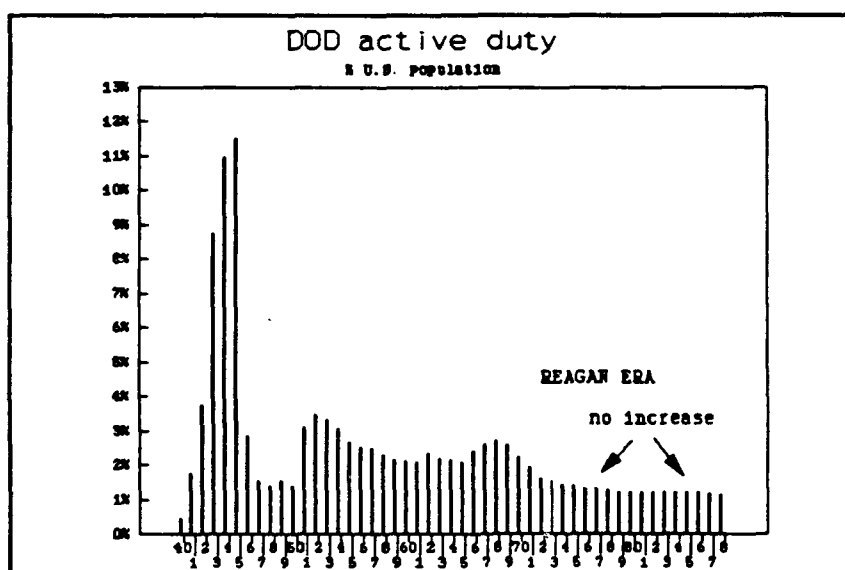


Figure 14. DOD Personnel as % of Labor Force. (Source: Statistical Abstract of the United States.)

When military service is viewed as a cost (man-per-defense unit), defense productivity is increasing. If military service is considered a contribution and benefit to society, this decline is a negative.

As a measure of force level the number of naval warships, specifically combatants, is conveniently simple.

(Figure 15) The Navy more than the other services is hardware intensive, and ships have historically been a measure of national power. Ships construction is slow and funding reversals do not immediately appear in the number of ships available. Cross-period comparisons are limited because this simple measure ignores the technological improvements in ships. However, as the nation's power competitors face the same dynamic, the measure is reasonable.

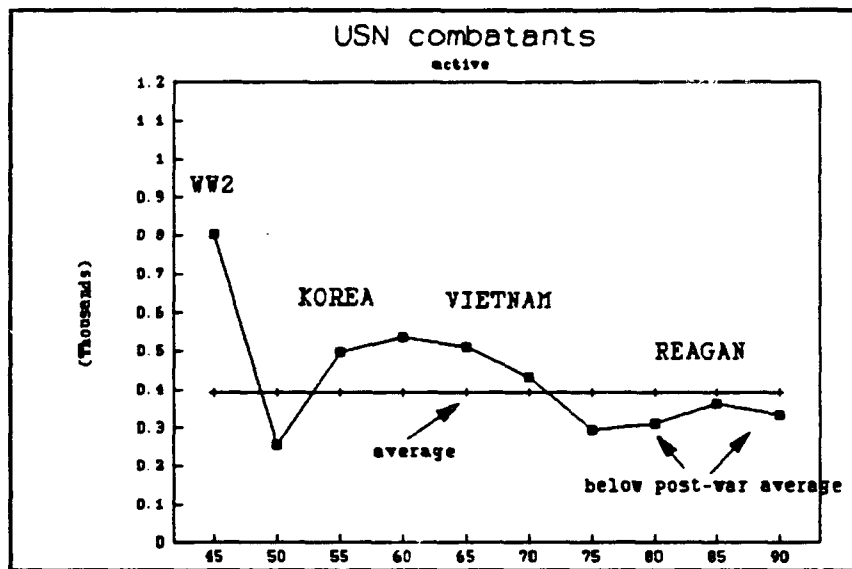


Figure 15. USN Combatants in Service; Cold War Average of 400.

(Source: Polmar, Naval Institute Guide to the Ships and Aircraft of the U.S. Fleet, 1993.)

Overview illustrations reveal the cycles of mobilization and demobilization, but viewing them collectively hinders understanding of the separate periods. Chapter III begins a more detailed review with the current drawdown.

III. POST-COLD WAR

This chapter examines the demise of the Reagan-era military establishment, covering the period 1985 to the present. The Reagan peak in defense spending and force levels is pegged, and the reductions since the peak are outlined, including those that are projected or likely based on statements by defense and administration officials. A chronological approach is employed, reviewing each year with regards to the Presidential budget requests and forecasts, the resulting debates over defense budgets and policies, significant events which impacted the budgets, and the resultant budget authorizations and outlays. Greater detail is given to the last four budgets, FY1991 through FY1994. Their five year defense projections chronicle the continuing revision in the direction of the national military establishment towards successively lower levels. The chapter ends with a scorecard report for the drawdown, in funding, personnel and ships.

A. BEGINNINGS

The end of the Cold War was not marked by a single event, as with the treaties closing periods of actual combat. Beginning around 1985, the public discourse began

to include the possibility, if not likelihood, of reduction of the military forces. That year Gallup reported that 46 percent of the public felt there was "too much" military spending, versus 36 percent believing the amount "just right." (Gallup, 1991, p. 99) Defense proponents and critics argued about "cuts", each using familiar polemical tricks to sustain their objectives.

The claims that conservatives made that overall defense spending was already declining and that the buildup had ended in 1985 were fatuous. In the five years from 1981 through 1985, defense outlays totaled about \$1.346 trillion in 1990 dollars... from 1986 through 1990, the total was about \$1.553 trillion, amounting to more than a 15 percent increase. The buildup continued. (Wirl, 1992, p. 207)

After 1985, Congress began to effectively resist the buildup. The factors in their success included perceptions of waste in procurement, increased negotiations with the Soviets, and the "Irangate" affair. These factors can be grouped under two reduction drivers. The first group, strategic, stems from a perception of reduced threat. It began with the *perestroika* movement initiated by Gorbachev in the Soviet Union, accelerated with the crumbling of the Berlin Wall, was demonstrated by the successful international coalition during Desert Storm, and culminated with the dissolution of the Soviet Union. The second was economic, and has roots in the growing concern about the increasing federal budgetary deficits. These were accentuated during the 1991 recession and 1992 presidential

election campaign, and they are still fermenting among the new administration's debates about budget priorities.

Regardless, by the summer of 1993 the post-Cold War demobilization is well engaged. For this analysis the post-cold war reduction will be separated into two periods, divided at the change of Presidents and parties with the 1992 election. This division is arbitrary, but convenient. The periods will be referred to as Base Force I and Base Force II.

B. 1987: FY1988 BUDGET

The President, as Commander-in-Chief, is expected to set the direction for national security strategy, and usually his annual budgets provide a platform for enunciating his vision of threats and the forces needed to meet them. Reagan used the annual budget documents to formally re-state his defense program goals. Compared to previous budget documents, 1950 to 1980, the discussions in his were relatively lengthy, and always defense was prominently placed among the national priorities. With his FY1988 submission, President Reagan complained about the congressionally mandated slowdown of his defense program which, though extremely small and a decrease only in real

dollar terms, could be measured in both funding and personnel levels.²

Defense budget authority levels declined in real terms in both 1986 and 1987. The 1987 appropriated amount is now 6% below that for 1985. In those years, Congress cut \$65 billion from administration requests in both operations and investment programs. (Budget, FY1988, Part 1, p. 6)

[Congress budgets required]...a cut of 17,000 in active duty military strength from levels requested in 1986 and 1987 (Budget, FY1988, Part 2 p. 2-7).

The only real decline would be overall DOD active duty personnel, from 2,174,250 down to 2,172,400 in 1988. Though less than one percent of the total uniformed service, this cut was an important symbolic change in direction. Reagan called again for real increases of three percent in defense funding. This would continue the climb towards the cherished 600-ship Navy goal, from 560 in 1988, to 582 by 1989 and 600 by 1990.

C. 1988: FY1989 BUDGET

In his final budget message, Reagan reviewed the recent history of defense budgets and defended his military program as a correction to the hollow forces of the seventies.

In the aftermath of Vietnam, defense expenditures dropped sharply until 1978. Real outlays were \$62 billion lower in 1980 than 1970, a 27 percent decrease. (Budget, FY1989, p. 1-7)

² References to budgets are by fiscal years, normally published in the prior calendar year.

He was proud of his defense increases, 52 percent in real terms, from 1980 through 1987 (Budget, FY1989, p. 2a-4). The transition from Reagan to Bush was not expected to bring a radical change of direction, as defense had not been a major campaign issue in the 1988 campaign (Wirl, 1992, p. 211).

While the administration maintained to Congress and the press that the buildup would continue, there was one sign of discord within the administration. On February 22, the Secretary of the Navy, James Webb, resigned over what he considered an abandonment of the commitment to the 600 ship Navy.

The force structure of the Navy must not be allowed to deteriorate. ...defense reductions...have been made in the wrong areas, and without clear strategic thought. (Webb, 1988)

D. 1989: FY1990 BUDGET

The world events that would shape Base Force I began slowly in 1989 with the beginning of the Bush administration. Academia, the media, and Congress acknowledged the diminishing threats to national security, but President Bush's budget only hesitantly endorsed change, reducing the increase called for by his predecessor to two percent real growth through 1991. His budget message was defensive in tone.

Defense budget authority declined for the fourth straight year (Budget, FY1990, p. 1-7).

National security objectives remain unchanged...the rebuilding of national security capabilities will proceed at a slower pace.... (Budget, FY1990, p. 2-5).

Traditional "doves" began proposing cuts which would not have been taken seriously in any prior period. Often quoted was a William Kaufman paper published by Brookings, which suggested halving U.S. defense budgets within ten years. (Mann, 1989, p. 17-20) Many of these sources had been opponents of the Reagan buildup and were merely renewing long-standing ideas for reductions. Yet, by the end of the year there were reports of DOD planning figures below \$200 billion (Morrocco, Dec 4, 1989).

E. 1990: FY1991 BUDGET

The 1991 budget was the first one that was totally President Bush's; it was notable for a symbolic change in style, if not a dramatic change in direction. The President's entire budget message was now only one page in length, where Reagan's had been forty. National Defense received only two lines in Bush's personal statement and they were hidden under the heading of "Investing", along with the drug programs. Defense moved down in the table of contents from its traditional first or second listing to ninth place. The first real discussion of defense occurred on page 151 of the budget document. There were references to the Berlin Wall, and acknowledgements of the democratic forces in eastern Europe and progress with Soviet arms

negotiations. Still, this budget included a somewhat defiant refrain.

The national security objectives of the United States remain unchanged (Budget, FY1991, p. 154).

The low-key presentation belied the actual support for defense programs which would increase 1.3 percent in nominal terms, but decline 2.6 percent in real terms. (Figure 16)

TABLE 3. FY1991 DOD BUDGET PROJECTION, NOMINAL \$

| FY | BA | % chg | Outlay | % chg |
|------|-----------|--------|-----------|--------|
| 1989 | \$290.8 B | actual | \$294.9 B | actual |
| 1990 | \$291.4 B | 0.2% | \$286.8 B | -2.7% |
| 1991 | \$295.1 B | 1.3% | \$292.1 B | 1.8% |
| 1992 | \$300.0 B | 1.7% | \$296.9 B | 1.6% |
| 1993 | \$304.4 B | 1.5% | \$299.0 B | 0.7% |
| 1994 | \$308.0 B | 1.2% | \$302.3 B | 1.1% |
| 1995 | \$311.8 B | 1.2% | \$304.8 B | 0.8% |
| net | | 7.0% | | 3.4% |

(Source: Budget of the United States, FY1991.)

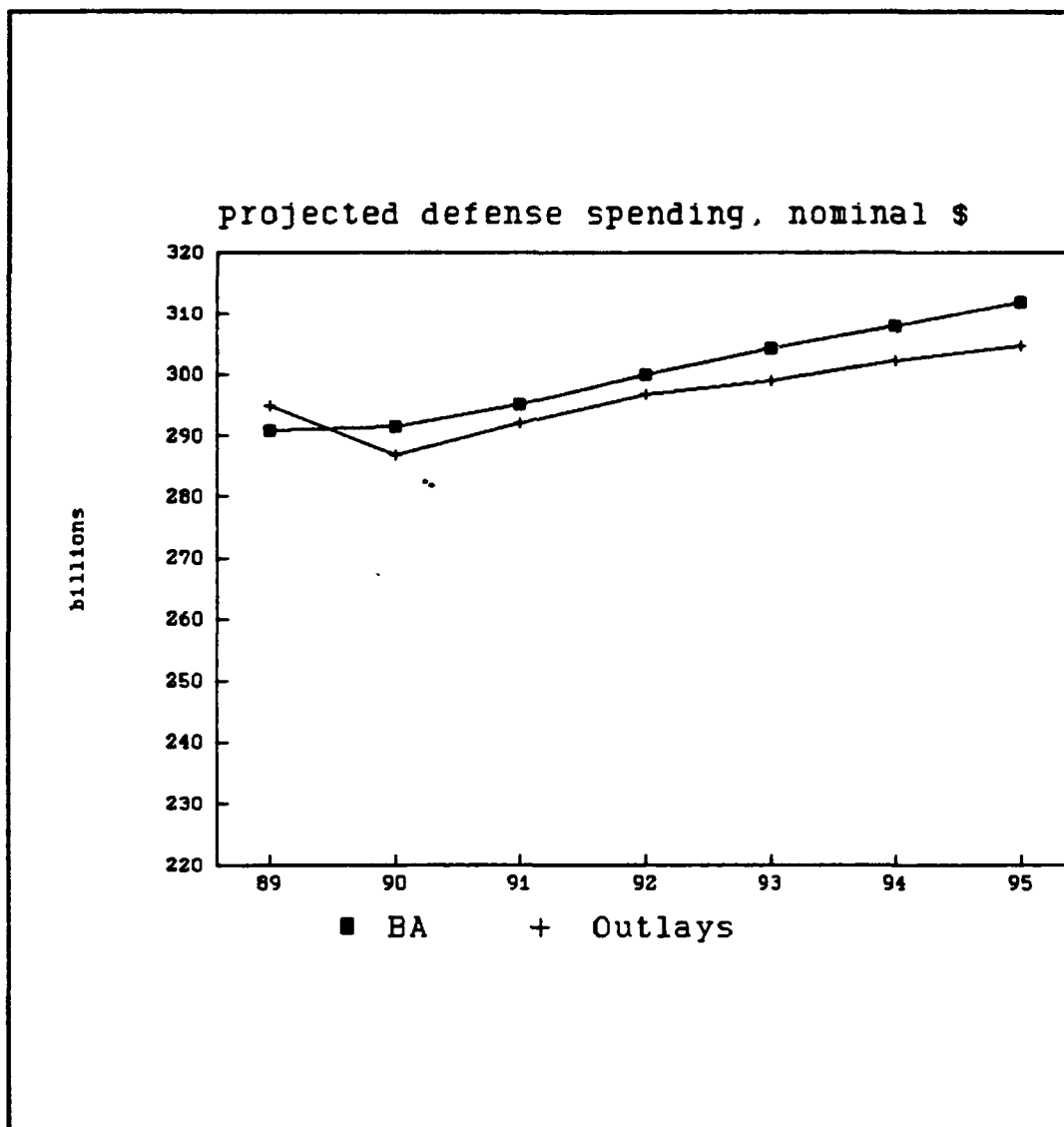


Figure 16. FY1991 5 Year Defense Plan

(Source: Budget of the United States, FY1991.)

Some analysts expected the coming reductions would impact the Navy less than the other branches, in light of its traditional role in gunboat diplomacy (Tritten, 1991, p.116). However, these small funding changes caused significant impacts on capital intensive naval forces. The budget admitted the number of ships would decline, officially abandoning the cherished Reagan goal of a 600-ship fleet. Navy manning would also fall, though slightly, as would the ratio between the two.

TABLE 4. FY1991 NAVAL FORCES PROJECTION

| year | ships | % chg | personnel | % chg | ratio |
|------|-------|--------|-----------|--------|-------|
| 1989 | 566 | actual | 593,000 | actual | 954 |
| 1990 | 551 | -2.7% | 591,000 | -0.3% | 932 |
| 1991 | 546 | -0.9% | 585,000 | -1.0% | 933 |
| net | | -3.6% | | -1.4% | -2.2% |

(Source: Budget of the United States, FY1991.)

These budget "cuts" in real dollar terms did not satisfy administration critics who called for a new military strategy to justify proposed force levels. Lacking sufficient specifics from the Department of Defense, the Congress began to assert leadership (Stockton, 1991, p. 82). Congress directed the Pentagon to provide a response to three possible budget scenarios of \$280, \$250 or even \$200 billion dollars (Gilmartin, 1990, p. 27)). Half of the

public now felt that there was too much spending on the military (Gallup, 1991, p. 69).

One of the most effective criticisms of the defense budget came from Senator Nunn, who attributed Bush's gestures at cutting defense to fiscal rather than strategic motivations (Wirl, 1992, p. 218). On March 22, 1990, he gave a speech on the Senate floor outlining what he termed the "blanks" being fired by the administration, and disconnections between what circumstances called for and what President Bush was offering. These "blanks" included threats, strategy, dollars, force structure and programming--in effect, the entire national security program. Several of Nunn's points would later resurface as major blocks to more rapid cutting, including the lag in savings between authorizations and outlays, and the pain of personnel demobilizations. He noted with concern that some of the budget cuts were vague rather than programmatically identified.

\$39 billion of the accumulated savings occurring over the next five years come from proposals in the Defense Management Report, and the definitive path to these savings has not yet been revealed. (Nunn, 1990, p. 2967)

On August 2, 1990, President Bush gave a speech in Aspen, Colorado and began to define a "new world order." The speech was the result of a "top-down" national security review, conducted by only a few people, and without input by

the military chiefs.³ The comprehensive "bottom-up review" to follow would have to wait for 1993 and then-Secretary of Defense Aspin.

F. 1991: FY1992 BUDGET

The FY 1992 Bush budget message was similarly short on discussion. Defense moved down in the table of contents to eleventh place. In the last paragraph of the President's personal message appeared an almost apologetic statement of defense policy.

Finally, consistent with the statutory caps enacted last year, the budget provides the resources necessary to maintain national security....(Budget, FY1992, p. 4).

Substantive discussion of the defense budget was pushed back to page 183. There, the administration made a brief acknowledgement of what was widely accepted elsewhere.

The reduced threat of a major war with the Soviet Union presents the opportunity to reduce and restructure military forces (Budget, FY1992, p. 183).

As refinement of the vision introduced in the President's Aspen speech, this was too tepid for defense cutters and too timid for spenders. The budget five year forecast for defense was cut again, a net three percent in real terms, but there was no evidence of major "reducing and restructuring." (Figure 17)

³ (See Tritten, 1991.)

TABLE 5. FY1992 DOD BUDGET PROJECTION, NOMINAL \$

| year | BA | % chg | Outlay | % chg |
|------|-----------|--------|-----------|--------|
| 1990 | \$291.8 B | actual | \$289.1 B | actual |
| 1991 | \$272.6 B | -6.6% | \$287.1 B | -0.7% |
| 1992 | \$279.0 B | 2.3% | \$283.5 B | -1.3% |
| 1993 | \$278.6 B | -0.1% | \$279.8 B | -1.3% |
| 1994 | \$279.0 B | 0.1% | \$274.0 B | -2.1% |
| 1995 | \$281.5 B | 0.9% | \$275.4 B | 0.5% |
| 1996 | \$283.4 B | 0.7% | \$279.3 B | 1.4% |
| net | | -2.7% | | -3.4% |

(Source: Budget of the United States, FY1992.)

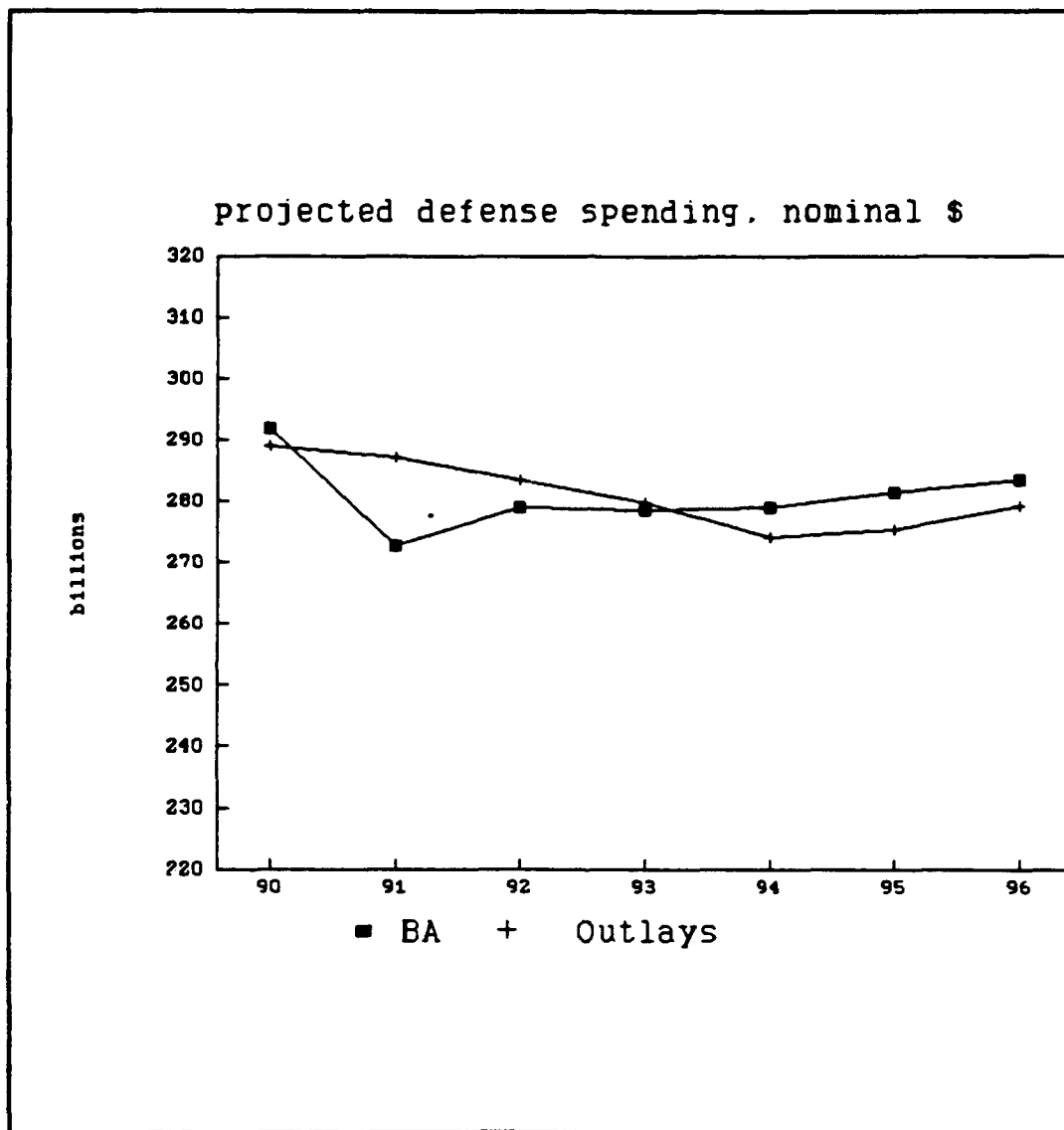


Figure 17. FY1992 5 Year Defense Plan

(Source: Budget of the United States, FY1992.)

The projected budget cuts in ships and naval manning were continued, increased, and were proportionally greater than overall DOD budget cuts.

TABLE 6. FY1992 DON FORCE PROJECTIONS

| year | ships | % chg | personnel | % chg | ratio |
|------|-------|--------|-----------|--------|-------|
| 1990 | 545 | actual | 583,000 | actual | 935 |
| 1991 | 528 | -3.2% | 570,000 | -2.3% | 926 |
| 1992 | 477 | -10.7% | 551,000 | -3.4% | 866 |
| 1993 | 464 | -2.8% | 536,000 | -2.8% | 866 |
| net | | -13.9% | | -5.7% | |

(Source: Budget of the United States, FY1992.)

Military planners may have been ahead of the administration. JCS staff had been working on the base force before the attempted coup in the Soviet Union, estimating an eventual decline to 4.7 percent of GDP, and 19.6 percent of federal expenditures, the lowest since 1940. These plans continued during Desert Storm. (Farmer, 1992)

Unlike the President's budget message, the official National Military Strategy (NMS) document written that year would clearly state the new circumstances, declaring the end of the Cold War. The NMS, published in January, 1992, portrayed the "Base Force" with comparisons to then current force levels. There was now a strategic foundation being advanced for reduced military forces.

This military strategy, which places a premium in efficiency without compromising effectiveness, is

designed to be implemented within a significantly reduced defense budget. (NMS, 1992, p. 4)

BASE FORCE COMPOSITION

| | | | |
|-----------|----------|--------------|-------------------|
| STRATEGIC | | FY 91 | BASE FORCE |
| | Bombers | B-52 + B-1 | B-52H + B-1 + B-2 |
| | Missiles | 1000 | 550 |
| | SSBNs | 34 | 18 |
| ARMY | | | |
| | Active | 16 Divisions | 12 Divisions |
| | Reserve | 10 Divisions | 6 Divisions |
| | Cadre | --- | 2 Divisions |
| NAVY | | | |
| | Ships | 530 | 450 |
| | (CVBGs) | (15) | (12) |
| | Active | 13 Air Wings | 11 Air Wings |
| | Reserve | 2 Air Wings | 2 Air Wings |
| USMC | | | |
| | Active | 3 MEFs | 3 MEFs |
| | Reserve | 1 Div./Wing | 1 Div./Wing |
| AIR FORCE | | | |
| | Active | 22 FWE | 15 FWE |
| | Reserve | 12 FWE | 11 FWE |

(Source: National Military Strategy of the United States, 1992)

Curiously, the NMS forecast a lower number of ships than the President's FY 1992 budget (450 versus 477). This may signify the rapidity of revisions during this period.

It was questionable whether defense budgets were going to be able to support even those reduced force levels. Congressional Budget Office projections found resources to support only 310 ships, not the 450 ships called for in the Base Force. (Stockton, 1991, p.105) This was the scale being suggested by Ullman, but dismissed by most, and would prove to be very close to the next administration's plans in 1993.

DOD officials touted the Base Force in Congressional testimony, and included lists of effected reductions in their public comments. Typical were the remarks of Deputy Defense Secretary Atwood that April.

The Army has cut four divisions...the Navy is going down to 450 ships...the Air Force has already cut 1,000 aircraft; fewer remain in the active inventory than in 1950.... (Atwood, 1992).

Secretary Cheney repeatedly mentioned the relaxation of nuclear alert forces as evidence of the administration's movement. He and Chairman Powell were forceful advocates for continued defense spending before congressional committees, speaking for an "increasing role" and "modernizing", rather than reducing. They employed contrasts to domestic spending increases and constantly repeated the planned "twenty-five percent" reduction by 1995. This percentage appeared to apply to personnel levels (down to 1.6 million, from 2.2 million) and approximately to funding in inflation-adjusted dollar terms. If applied to ships it would have required the lower level of 300.

A ubiquitous factor in DOD briefings was the so-called "pitch fork chart," which dramatically depicted the revision of defense budgets. (Figure 18) Using real dollar presentations, the chart showed four subsequent budget forecasts, each declining more. By its choice of dependent variable and scale (budget authority, \$210 to \$350 billion dollars), the chart called attention to "30 percent" cuts. An alternative depiction, with a

full scale, makes those same cuts seem less severe, though the direction was the same: down. (Figure 19)

The apparently easy victory in the Gulf War, and rapid resolution of the August 1991 brief coup attempt against Gorbachev in the USSR reenforced perceptions that it was indeed a new world.

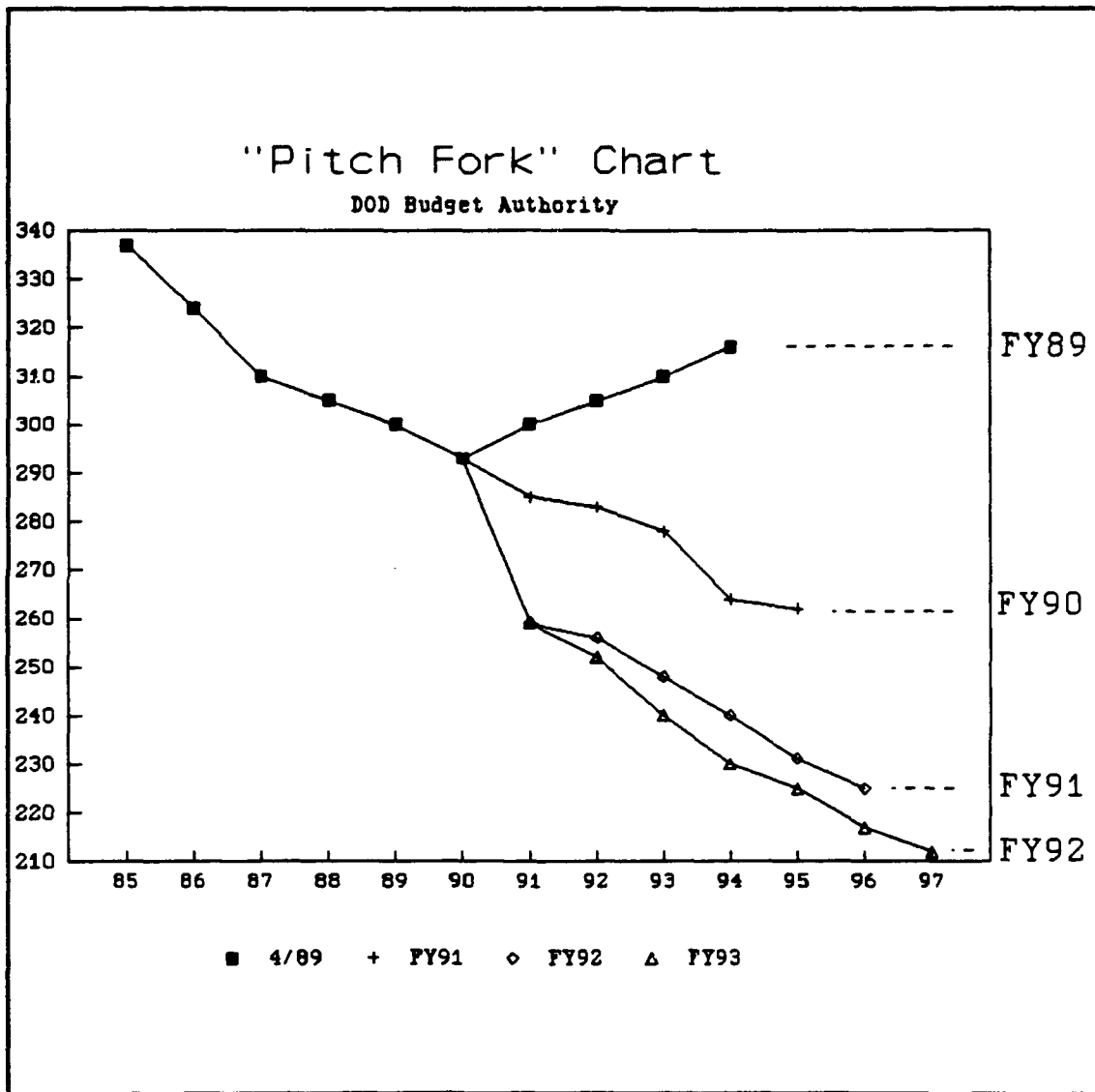


Figure 18. Cheney "Pitchfork" Chart

(Source: Department of Defense Briefing)

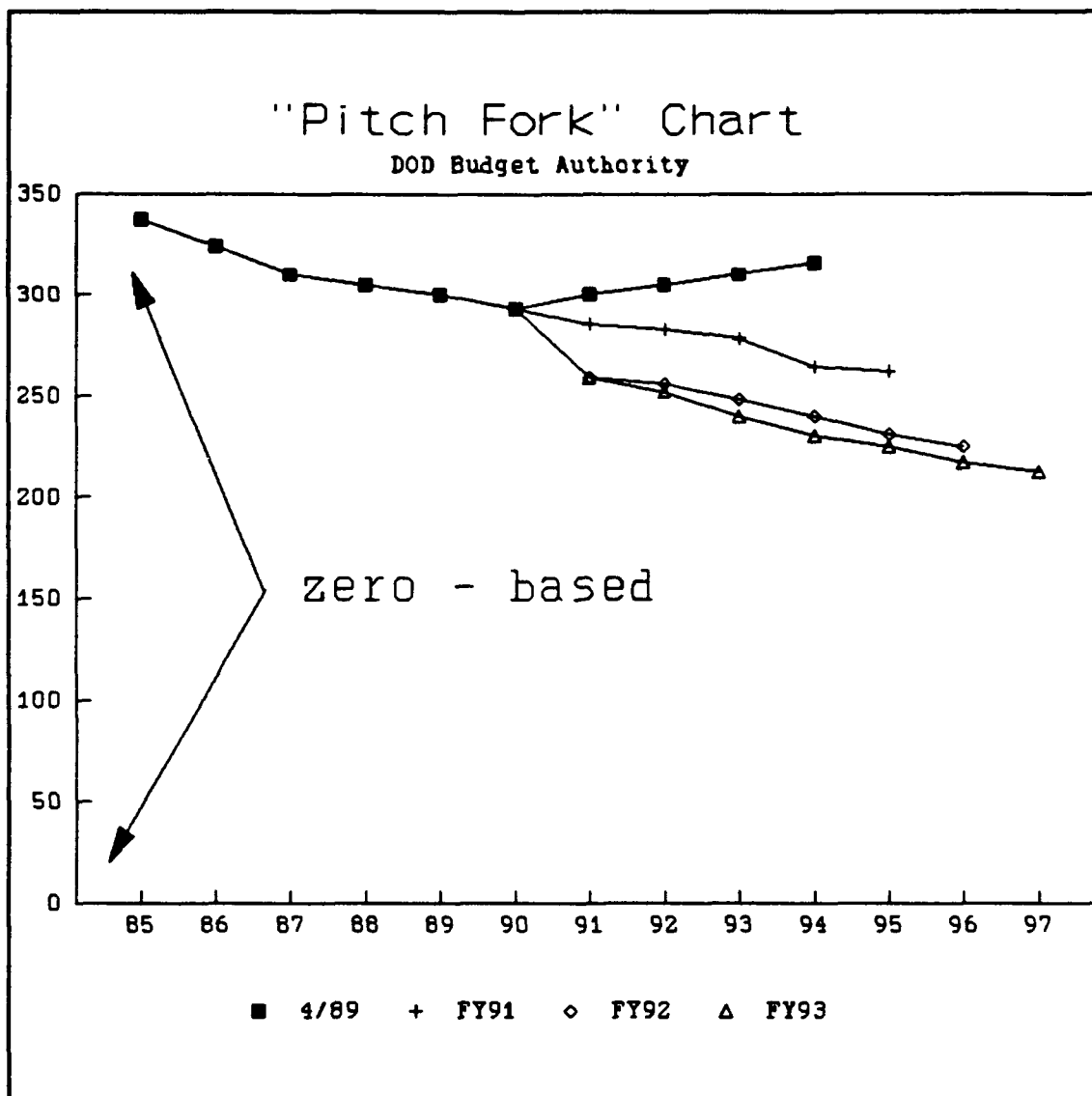


Figure 19. Alternative Pitchfork Chart

G. 1992: FY1993 BUDGET

President Bush's final statement on the future of national defense appeared in his FY1993 budget. The symbolic decline in the importance of defense in budgetary priorities was marked by its later appearance in the document. There were references to the dissolution of the Warsaw Pact, and the collapse of the Soviet Union. Under political pressure, his State-of-the-Union address called for an additional \$50 billion in defense cuts, but did not specify the programs. The five year forecast was reduced modestly for the third consecutive year. (see Figure 20)

TABLE 7. FY1993 DOD BUDGET PROJECTION, NOMINAL \$

| year | BA | %chg | Outlay | %chg |
|------|-----------|--------|-----------|--------|
| 1992 | \$277.5 B | actual | \$283.1 B | actual |
| 1993 | \$267.6 B | -3.6% | \$272.8 B | -3.6% |
| 1994 | \$267.8 B | 0.1% | \$267.4 B | -2.0% |
| 1995 | \$269.9 B | 0.8% | \$267.9 B | 0.2% |
| 1996 | \$270.4 B | 0.2% | \$270.9 B | 1.1% |
| 1997 | \$274.6 B | 1.6% | \$273.6 B | 1.0% |
| net | | -1.0% | | -3.3% |

(Source: Budget of the United States, FY1993.)

There were more protests from advocates of demobilization. Senator Mitchell asked for \$100 billion in defense program cuts. Senators Kennedy, Metzenbaum and Sasser were speaking publicly of even \$200 billion cuts. Congressman Dellums wanted \$50 billion cut from the next fiscal year. (Towell, Feb 2, 1992)

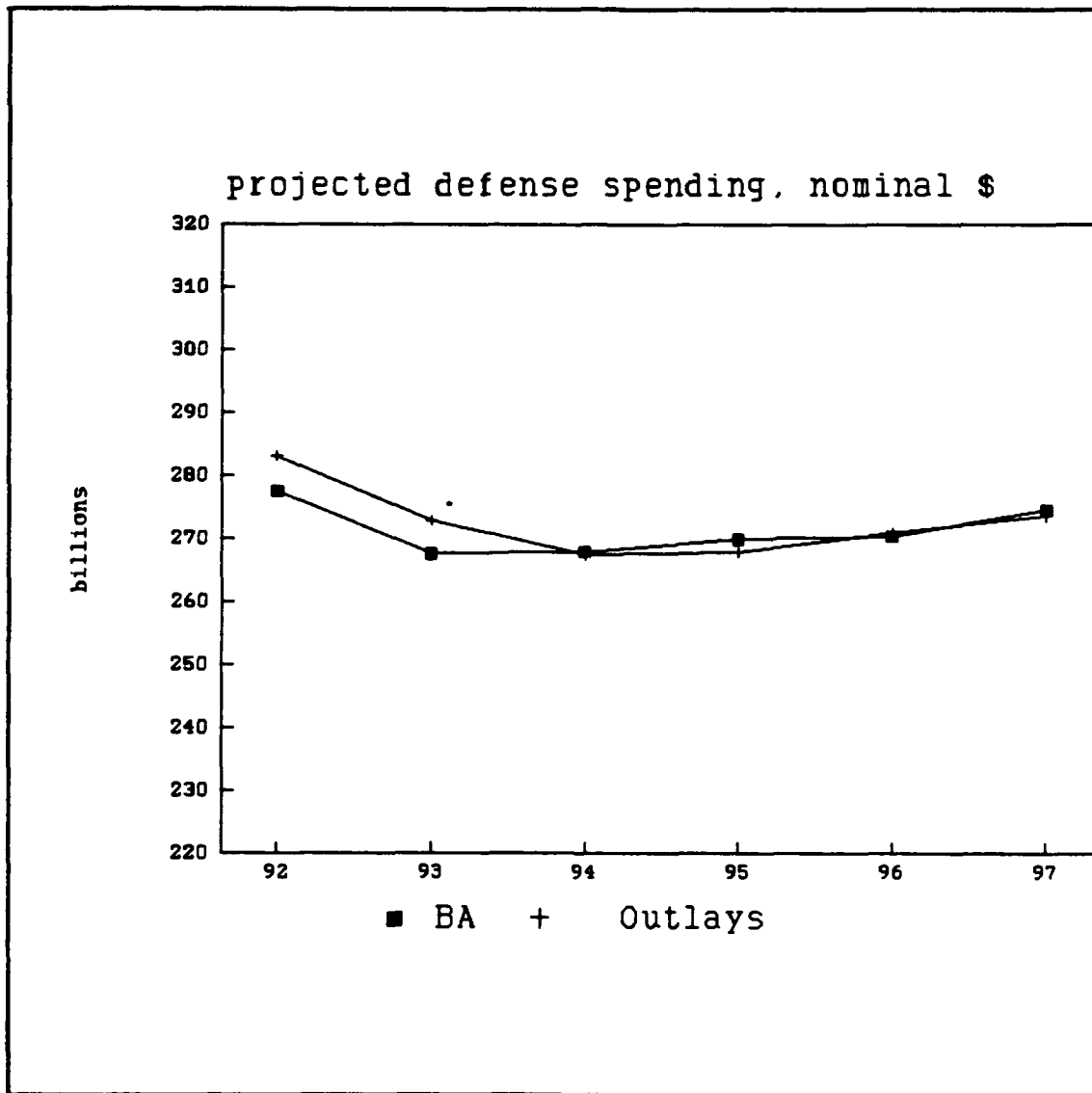


Figure 20. FY1993 5 Year Defense Plan

(Source: Budget of the United States, FY1993.)

As predicted by Senator Nunn two years earlier, the calls for severe cuts in defense budgets began to dissipate once lawmakers were faced with making budget marks, and the pains of demobilization became visible. In March, 1992, Senator Nunn laid out the impacts of cutting defense for Congress to consider.

In order to make the reductions in defense already included in the President's FY1993 budget, by 1996 one million jobs will be lost in the Defense Department, and an additional one million jobs in the defense industry. (Nunn, March 1992)

The pain associated with force structure reductions has caused lawmakers turn to symbolic cuts, such as voting to kill the selective service system and ban nuclear testing. Adding to the frustration of perennial defense cutters was that the defense slice of the budget pie had shrunk to only a fifth of total expenditures. Faced with difficulty in cutting overall force levels, lawmakers turned to expenditures on specific programs considered wasteful, including the Strategic Defense Initiative, and the B-2 bomber.

The military establishment's word-of-the-day was efficiency. On September 28, 1992, some four years into the post-cold war reduction, the Navy issued a new strategy document. The document codified "the new direction" of the Navy and Marine Corps, but came too late to affect the budgetary battles. Fiscal realities would shape the future force.

The 1992 election provided little debate over defense policy, but each candidate tried to outbid the others on defense budget cuts. The candidate with the highest bid won.

Bush -- 50 billion
Clinton -- 100 more than Bush by 1997
Harkin -- 50 percent, or \$140 billion over ten years
Kerry -- 30 percent over ten years
Tsongas -- 30 percent over five years
(Source: Congressional Research Weekly Report, Feb 1, 1992)

H. 1993: FY1994 BUDGET

Base Force II took stage with the election of President Clinton and appointment of former Congressman Les Aspin as Secretary of Defense. As House Armed Services Committee chairman Aspin played a leading role in the budgetary debates over Base Force I. Now, he and President Clinton will shape the second phase of reduction of military forces. While it is too soon to see the final results, trend lines are estimable. (Figure 21)

Aspin began a nearly constant stream of statements and signals on defense cuts. He repeated the President's campaign pledge to make additional, but moderate cuts from the Bush defense program -- now \$60 billion over five years (Towell, Jan 1, 1993, pp. 80-86). Some of the administration's early moves have been confusing. Aspin announced a "bottom-up" review of defense requirements. Within a month, he ordered the services to identify \$10.8 billion in immediate cuts. An end point was pegged at a 1.6 million troop level for 1996, 200,000 below the Bush plan (Towell, Feb 6, 1993, p. 275). The Navy was clearly marked for reduction; ships were now to drop from 443 to 412 (Towell, Mar 20, 1993, p. 678), and to 320 by 1997 ("Aspin Budget Bomb," Navy Times, Feb 15, 1993, p. 12).

President Clinton's FY 1994 budget message included no discussion of national security or military spending. Continuing the Bush trend for symbolic positioning, defense numbers were pushed down to the 35th position in the table of contents, and discussion was back to page 441. Funding, troop levels and weapons, were all cut more than discussed during the campaign. Yet some still complained about a "salami slice" approach to reduction, rather than identifying individual programs for elimination ("Aspin's FY94 Budget Lacks Bite," Armed Forces Journal, May, 1993, pp. 17-18, 21-22).

TABLE 8. FY1994 DOD BUDGET PROJECTIONS, NOMINAL \$

| year | BA | % chg | outlay | % chg |
|------|-----------|--------|-----------|--------|
| 1992 | \$282.1 B | actual | \$286.9 B | actual |
| 1993 | \$258.9 B | -8.2% | \$277.2 B | -3.4% |
| 1994 | \$250.7 B | -3.1% | \$264.2 B | -4.7% |
| 1995 | \$248.1 B | -1.1% | \$258.0 B | -2.3% |
| 1996 | \$240.3 B | -3.1% | \$251.6 B | -2.5% |
| 1997 | \$232.8 B | -3.1% | \$233.7 B | -7.1% |
| 1998 | \$240.5 B | 3.3% | \$239.2 B | 2.4% |
| net | | -15.4% | | -17.7% |

(Source: Budget of the United States, FY1994.)

The budget reduced personnel levels another 108,000, and returned defense spending to 1983 levels, but in inflated dollars. Chairman Dellums ultimately supported the defense budget, the only one in 22 years in Congress. ("Dellums Vote for Defense a Change From the Past," Dow Jones, August 2, 1993)

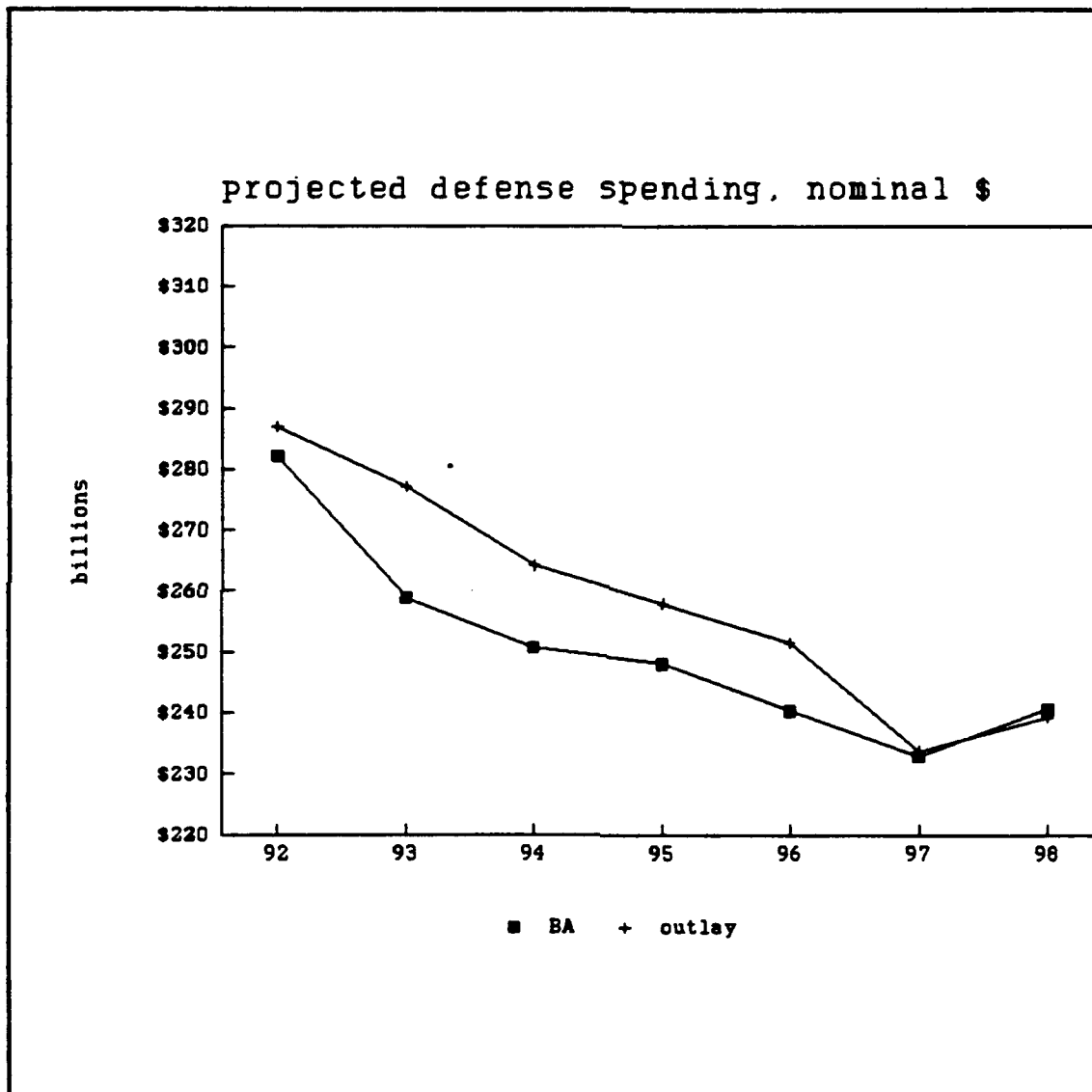


Figure 21. FY1994 5 Year Defense Plan

(Source: Budget of the United States, FY1994.)

Closer examination of the cutting by funding accounts may suggest where the new administration plans to make additional cuts in future budgets: personnel and acquisition accounts. If an accurate precursor, these could suggest an intention to consume the military infrastructure. Alternatively, they may reflect a desire to attain immediate savings from fast spending accounts, or keep funds flowing to specific constituents.

TABLE 9. FY1994 BUDGET DON ACCOUNTS (BILLIONS)

| ACCOUNT | FY93 | FY94 | %CHG |
|-------------|---------|---------|--------|
| personnel | \$76.3 | \$70.1 | -9.2% |
| O&M | \$86.4 | \$89.5 | 1.2% |
| acquisition | \$53.6 | \$45.5 | -17.0% |
| R&D | \$38.2 | \$38.6 | -1.1% |
| MILCON | \$4.5 | \$5.8 | 25.6% |
| housing | \$3.9 | \$3.8 | -6.9% |
| TOTAL | \$259.1 | \$250.7 | -5.0% |

(Source: Budget of the United States, FY1994.)

On May 30, 1993, Secretary Aspin unveiled a new defense strategy, termed "Win-Hold-Win". The U.S. would no longer plan to fight on two fronts simultaneously. Instead, a holding action would suffice for one front, until the other was secured. Critics saw this as another case of finding strategy to fit programming, and administration spokesmen admitted the new strategy would cut additional aircraft carriers and allow big cuts in military spending (Gordon, 1993, p. 16A). Revision of threat assessment is not a new budgetary maneuver. When faced

with fiscal problems, President Nixon cut defense and announced a shift from preparation for "a two and one-half war to a one and one-half war" capability (Ravenal, 1984, p.20).

The new strategy was quickly followed by an additional \$5.5 billion cut from FY1994's operating budget. (Dow Jones, Jun 9, 1993) These were made before completion of the bottom-up review intended to identify force requirements, and even though the previous cuts "...already made are enough." ("Aspin Seeking Deeper Budget Cuts," Dow Jones, June 10, 1993) The Navy absorbed 32.7% of that cut. An example of its impact is a required cut in active duty officers of 4,700, or 7.5 percent, in FY1994. Navy spokesman no longer talk about maximizing effectiveness, only efficiency.

The Navy's strategy in the downsizing environment is to maintain only the minimum level of organic capability (Ricks, 1993).

This strategy would prove to be in-line with the Secretary's evolving ideas of the reduced importance of naval forces.

During the Cold War, when we talked about a naval presence overseas, we thought of a carrier group.... In the post-Cold War era, new approaches will be necessary... detailing how other services would be able to meet U.S. strategic requirements around the world ("Aspin Considers Cut of Navy Carriers," Dow Jones, June 24, 1993).

A review of the headlines for the year's Navy Times tells the story succinctly:

- "Echoes of 1946: What Now?" (Jan. 4)
- "Aspin's Budget Bomb." (Feb. 15)
- "Thinking Small." (Feb. 15)
- "Senate Endorses \$172 Billion Defense Cut." (Apr. 5)
- "New DEPSECDEF Says Going to pre-WW2 Levels." (May 17)
- "Carrier Fleet of 12 Seems Sunk." (Jun. 28)

Indirect impacts of these reductions are being felt, and Secretary Aspin has admitted that recruit quality among the services is already slipping. ("Aspin Fears Military Quality Slipping," Dow Jones, June 2, 1993) Even the all volunteer force, which most military professionals consider to lie at the core of the military successes of the 1980's and 1990's has come under renewed scrutiny. David Wood and others have raised serious questions about the social alienation of a "mercenary" force, where fewer serve and serve longer (Wood, June 27, 1993). Fiscal year 1993 will end on an ominous note for the military.

I. SCORING THE POST-COLD WAR REDUCTION

Together Base Force I and II provide a ten year period of reduction for examination. The depth of the budgetary reductions is highlighted by updates on Secretary Cheney's pitchfork chart. (Figures 22 & 23) Each subsequent budget from 1988 to 1994 lowered projections of future defense funding and forces.

For example, examining forecast authority for 1995 from the FY1991 to FY1994 budgets finds subsequent reductions of 9.7, 4.1, and 8.1 percent from the FY1991 actual. The cumulative effect of these revisions is a net reduction in the FY1995 defense budget of 20.4 percent from the level envisioned in the election year FY1992 Budget.

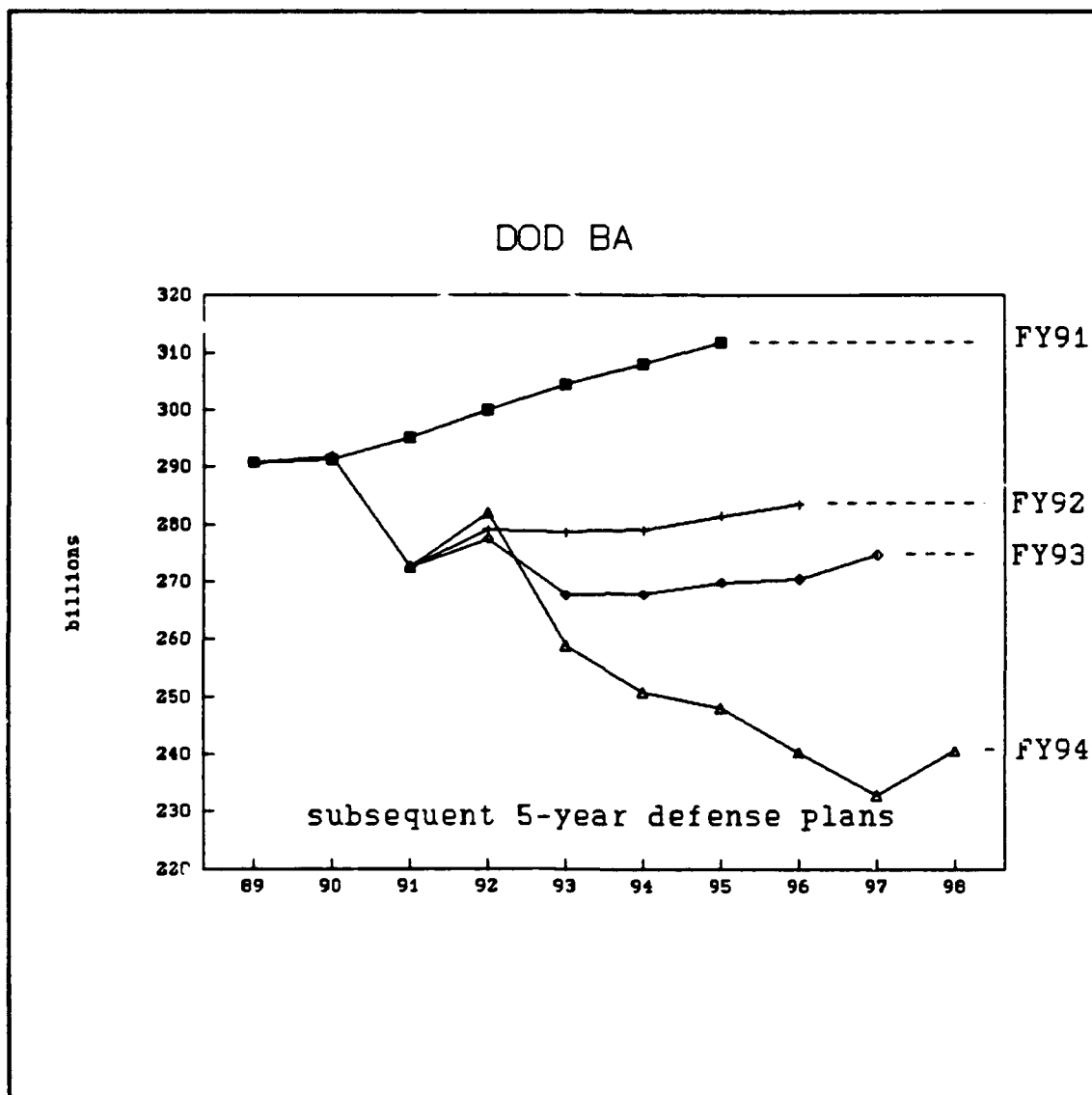


Figure 22. Subsequent Defense Budget 5 year Plans; BA

(Source: Budget of the United States, FY1991--1994.)

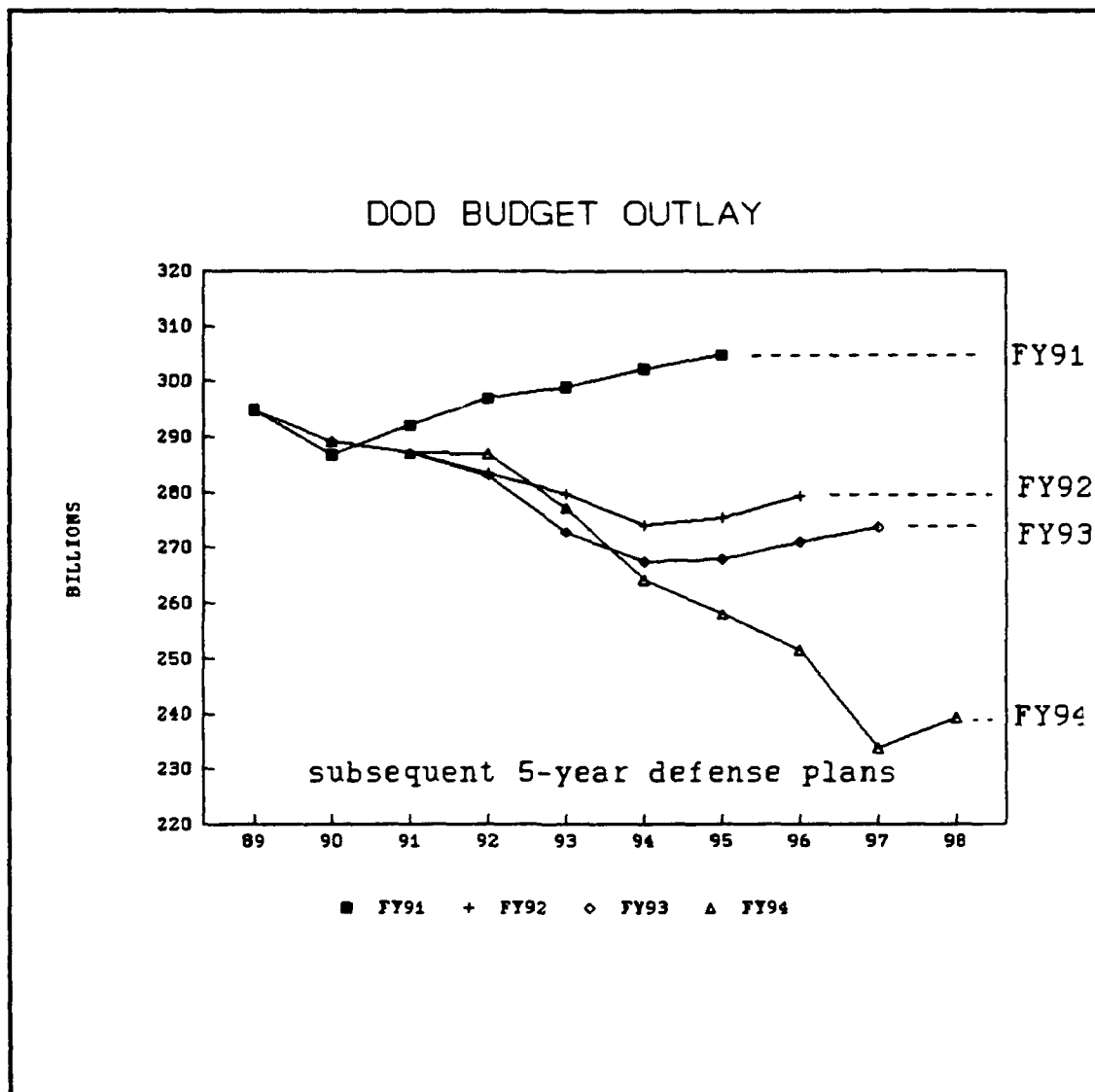


Figure 23. Subsequent Defense Budget 5 year Plans; Outlays

(Source: Budget of the United States, FY 1991--1994.)

Projected manning levels show similar degree of reductions, revised continually lower. (Figure 24) From the 1988 peak of over two million in uniform to the 1994 target of 1.6 million constitutes the commonly reported 25 percent demobilization. While the FY94 budget only covers through 1994 for manning projections, the Clinton administration is speaking of 1.4 million uniformed personnel by 1997, equaling the demobilization goal set after World War II. These levels will leave the uniformed military at approximately one half of one percent of the nation's population.

TABLE 10. DOD BUDGET MANNING PROJECTIONS (X 1000)

| budget: | FY91 | FY92 | FY93 | FY94 |
|---------|------|------|------|------|
| 1990 | 2076 | | | |
| 1991 | 2039 | 1974 | 2003 | |
| 1992 | | 1886 | 1865 | 1808 |
| 1993 | | 1795 | 1767 | 1728 |
| 1994 | | | | 1621 |

(Note: first entry of each fiscal year an actual.)

(Source: Budget of the United States, FY 1991--1994.)

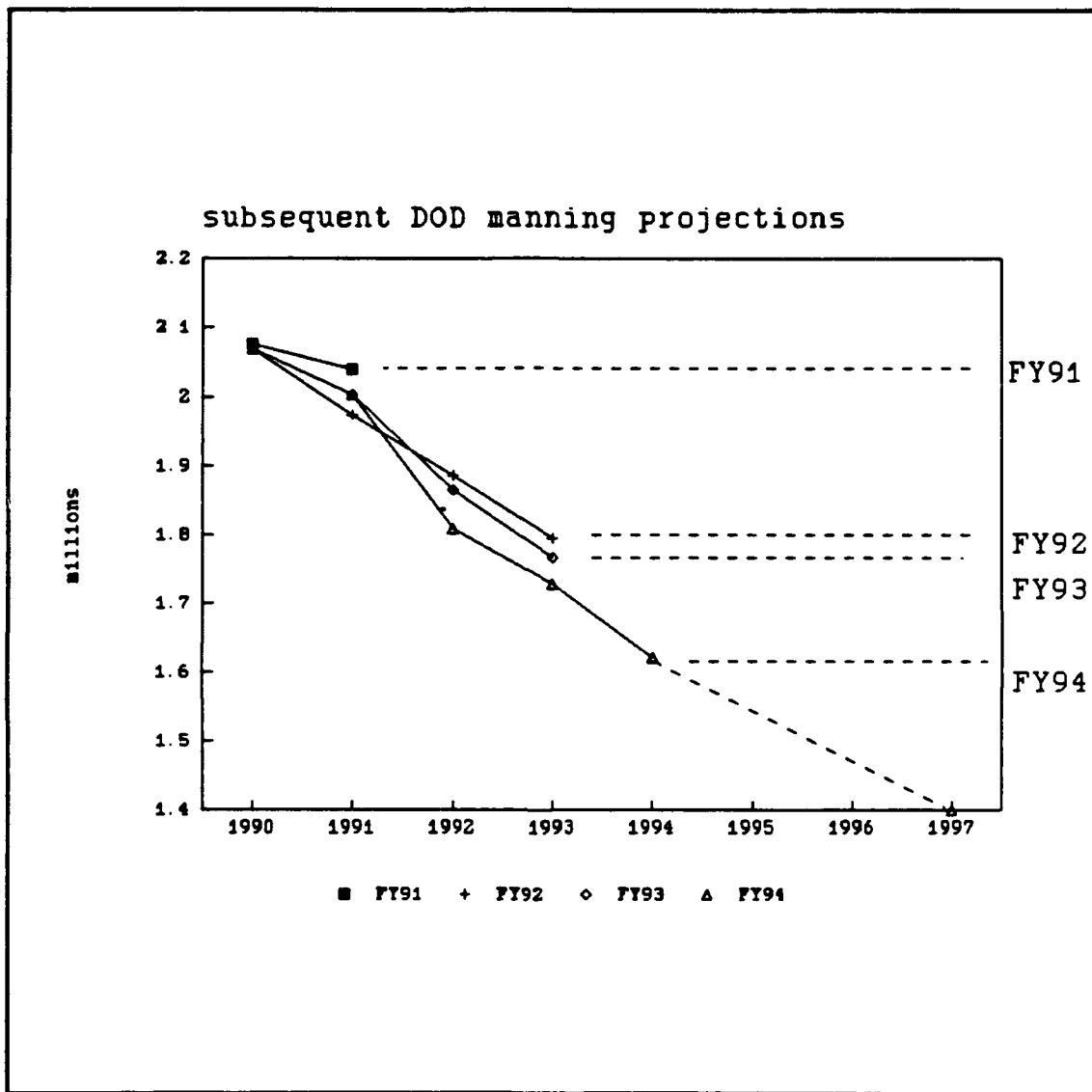


Figure 24. DOD Manning Projections

(Source: Budget of the United States, FY 1991--1994.)

Navy officials are projecting taking the force down to 400,000 active duty personnel by that year, the lowest level since prior to World War II. (Figure 25)

TABLE 11. USN MANNING BUDGET PROJECTIONS (X 1000)

| budget: | FY91 | FY92 | FY93 | FY94 |
|----------------|-------------|-------------|-------------|-------------|
| 1990 | 591 | | | |
| 1991 | 585 | 570 | 571 | |
| 1992 | | 551 | 551 | 542 |
| 1993 | | 536 | 536 | 526 |
| 1994 | | | | 481 |

(Note: first entry in each fiscal year is actual.)

(Source: Budget of the United States, FY 1991-1994.)

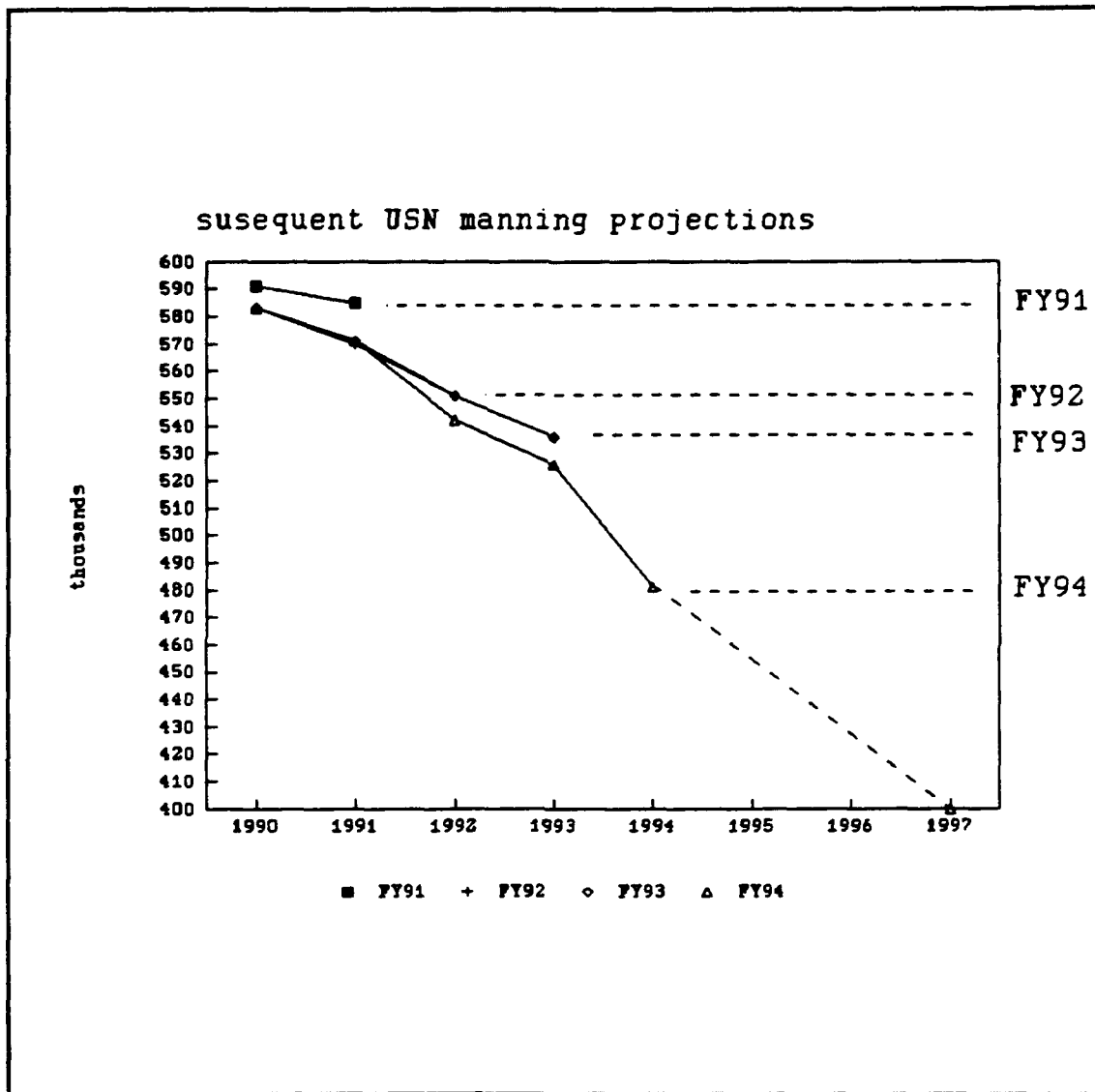


Figure 25. USN Manning Projections

(Source: Budget of the United States, FY 1991-1994.)

J. SUMMARY

The latest end point for ships is in the 320 range (Witter, 1993, p. 2) Taking budget forecasts for manning levels and funding, and assuming a consistent percentage of funding for the Navy, it is possible to project a total picture of the post-Cold War reduction.

TABLE 12. POST-COLD WAR SCORECARD

| | peak..... | | trough..... | | % chg | rate |
|----------|-----------|--------|-------------|--------|--------|-------|
| DOD \$ | 1989 | \$312B | 1997 | \$164B | -47.5% | -5.9% |
| USN \$ | 1989 | \$97B | 1997 | \$42B | -56.2% | -7.0% |
| DOD man. | 1987 | 2174K | 1997 | 1400K | -35.6% | -3.6% |
| USN man. | 1988 | 593K | 1997 | 400K | -32.5% | -3.6% |
| ships | 1985 | 570 | 1997 | 320 | -40.4% | -3.4% |

(Note: Budget outlays in constant 1987 dollars.)

These projections indicate that funding is being cut relatively more than people and material. (Figure 26) Either they will operate without normal support services and maintenance, or operations will shrink to save wear and tear. We may be headed for another hollow force, relatively larger in people than ships, and ships than dollars. By every measure discussed--nominal dollars, real dollars, percentages of GNP and total federal spending, personnel and ships--we are headed for a Navy which will be smaller than at any time since 1939. The following chapters will examine previous post-conflict drawdowns and compare them to this period. They suggest some reasons why the previous reductions began and were ended.

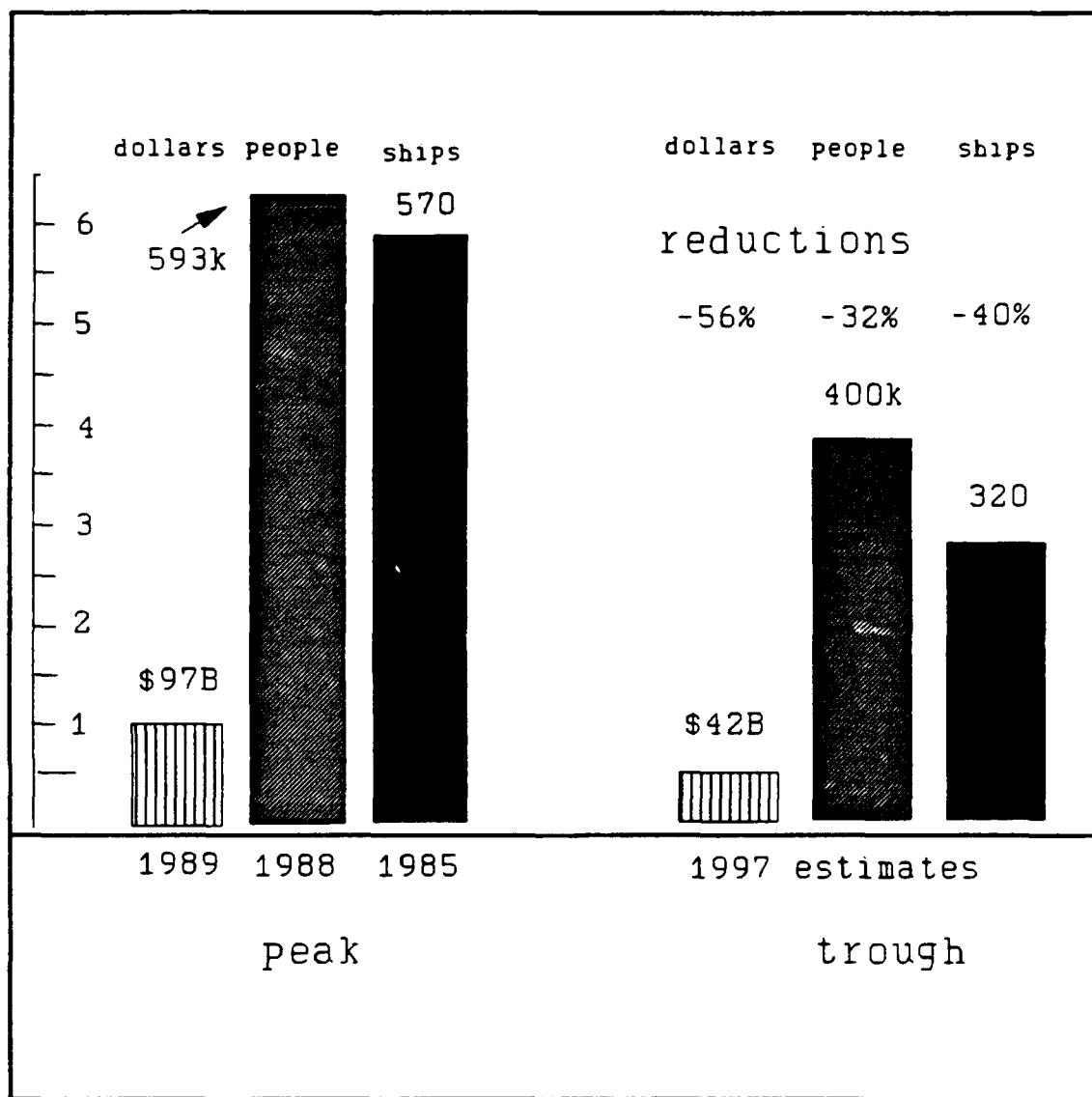


Figure 26. Post-Cold War Navy

IV. POST-WORLD WAR II

This chapter examines the demobilization of America's victorious armed forces after World War II, during the period 1946 through 1950, and recounts the decisions and viewpoints of the principals involved with the post-war demobilization. It demonstrates that this period offers less for direct comparison to later periods because the war's mobilization peak was uniquely high. An argument is made that inclusion of this period can actually distort the analysis. However, it concludes that there was a similar refrain among the period's debate over what "floor" should be maintained in defense budgets and force levels. Additionally, two comparisons are noted to later periods. One similarity deals with the revision in the post-conflict administration's perspective, and their struggle with congressional prerogatives as seen later in the post-Vietnam and Cold War periods. A second comparison lies in the role specific world events played in stated national security strategy, and the budgets and forces that were maintained to pursue that strategy. A chronology is provided for the fiscal year budgets and force level adjustments. Finally, the period is found to be useful in completing the picture of how and why demobilizations begin, develop and end. The chapter ends with the scorecard for the reduction.

A. 1945: WORLD WAR II PEAK

The scale of endeavor in World War II, both military and civilian at home, dwarfed all other events in modern history. The 1945 defense budget took 90 percent of the national spending and 40 percent of GNP. Because of the war spending, the national debt more than quadrupled in four years, and it exceeded GNP for the only time. Almost thirty percent of the labor force was in uniform. The mobilization was so substantial and the victory so complete, that the post-war period almost had to become a waterfall of demobilization. For these reasons, the post-war period offers less opportunity for direct comparison to the later drawdowns in the rate or degree of reduction. More pertinent is the "floor" towards which the drawdown headed, and the rate at which it was approached. Evidence suggests original plans would have reduced the military to pre-war levels below one percent mobilization. Concerns over European instability halted reduction after two years, and defense budgets oscillated while national security requirements were debated. Before real consensus was achieved, Korea ended the drawdown.

B. 1946

The use of the atomic bomb against Japan brought the war to an unexpectedly rapid close. Millions of troops were left overseas and the impetus was to get them home, mustered out and back to work in civilian jobs.

Troops abroad began to demand discharges. Some of them remembered the Depression years and the large-scale unemployment and wanted to get out of uniform and back into civilian jobs before such jobs vanished (Pogue, 1987, p. 157).

Congress ordered the services to get moving on demobilization. Marshall, responsible for order in occupied areas, warned of demobilizing too quickly. War Department statements against rapid demobilization were followed by demonstrations and near riots by some troops.

Military leaders, so recently adulated for victory, were attacked for wanting to keep large forces under arms in order to retain large budgets (Pogue, 1987, pp. 157-8).

Demobilization outran any prior planning. Marshall had tried to setup a planning group in 1943, but the rapidity of the war's end caught them short. By the end of the fiscal year some nine million men had been released from service, leaving the services at only one quarter of the 1945 peak level. Those released represented eight percent of the national labor force. Similar scale reductions were planned for placing warships in reserve, but were delayed by limited resources. All these demobilization efforts were expensive, and the drop in 1946 defense expenditures lagged behind the personnel reduction, though still falling an impressive 45 percent.

This situation was similar to, but more severe than that which faced JCS Chairman Powell during 1992. Desert Storm interrupted his demobilization and aggravated inherent problems when it resumed after the conflict. Similar charges were made about military foot-dragging on personnel reductions after Desert

Storm. As in 1946, the Congress was pushing for demobilization and the administration was resisting. The difference is that in 1946 conscripted service personnel sought release, where 1993 volunteers do not wish to leave a military career for an uncertain job market, above seven percent unemployment.

C. 1947: FY1948 BUDGET

World economic problems dominated American national security thinking immediately after the war. While the populace turned to domestic activities, the administration was occupied with Europe. As in 1990--1992, the race of European events in the late 1940's made strategic plans obsolete. The perceived threat was, as now, an unstable Europe. To meet it, the Marshall Plan substituted foreign aid for direct military spending against the Soviets.

President Truman had to balance continuing requirements for military occupation against demobilization desires. Like President Bush in 1992, President Truman saw himself as holding the line against an imprudent Congress, too anxious to encourage the voters towards disengagement.

By the end of the fiscal year, the actual rate of decline in defense budgets had increased over the prior year's, falling 70 percent in outlays. The remaining funding, equivalent to 90 billion dollars in constant 1987 dollars, was only one third the 1993 budget for a force of approximately the same size as that projected for 1997. Service personnel on active duty were reduced another 47 percent, leaving only one and a half million

in uniform. This glide path would have led to pre-war readiness levels if continued for one more year.

D. 1948: FY1949 BUDGET

The FY1949 budget called for "the minimum forces" necessary to sustain peace. World events soon reshaped President Truman's judgement about "minimum" requirements, and he called for an end to the post-war demobilization. The first move towards reversing the reduction came on March 17, 1948, when addressing Congress, the President recommended enactment of permanent universal military training and temporary continuation of the selective service program. These were followed by recommendations for additional 20 percent increase in defense authorizations, to a total of 14.7 billion dollars, but it was not provided.

Behind all defense debates of the fifties was the question of whether atomic bombs could replace large, standing armies. A vocal minority called for continued conventional forces (Callahan, 1990, pp. 51-2). As the "menace" of the Soviet Union grew, America hoped to avoid an arms race by funding European recovery and relying on its atomic arsenal. There is a similarity in today's aid to Russia and the former Soviet Union satellites. Truman would have preferred conventional forces, however, the estimated cost of sufficient conventional forces in Europe was \$45 billion (Callahan, 1990, p.63). That was too much for Congress, which had established a ceiling at \$13.5 billion.

Unable to maintain large conventional forces, Truman decided to proceed with development of the H-bomb. The wisdom of a primary reliance on nuclear weapons was soon questioned by the President, who grew concerned less his options for reaction to Soviet blockades and the Berlin crisis be too limited.

Truman was even asking Congress to reinstate conscription, a request granted in the Selective Service Act of June of [1948] (Kennedy, 1987, p. 378).

Demobilization leveled out in 1948. That year would see the lowest manning and funding levels for national defense, not only for the post-World War II period, but since. DOD manning decreased another nine percent, to 1,446,000 at fiscal year end. The defense outlays were only eleven percent of their war peak, the equivalent of \$55 billion constant 1987 dollars. The funding cut seemed small in dollars relative to the previous three years, but was actually another 29 percent.

E. 1949: FY1950 BUDGET

1949 was a seesaw year for defense readiness. The administration was concerned that defense spending had reached, and perhaps dipped below a safe condition. The President's personal message characterized the FY1950 Budget as still driven by security concerns, even though defense spending had fallen dramatically since the war.

The 1950 Budget, like all those since the end of the war, is dominated by our international and national defense programs. Together, they are expected to amount to 21 billion dollars, or half the budget expenditures. (Budget, FY1950, p. M7)

The goal would be "adequate", rather than merely the prior "minimum" national defense forces. While no specific threat was identified in the budget message (Korea was not yet recognized), Truman again asked the Congress to increase expenditures substantially both in 1950 (from 11.8 to 14.3 billion dollars) and 1951. The budget asked for 15.9 billion dollars in new defense authorizations, and 4.6 billion dollars for the Navy. In one of the most cogent expressions of strategic planning in any budget message, President Truman wrote:

The military forces recommended in this Budget are the most powerful ever maintained in peacetime. The principal objective we should have in mind in planning for our national defense at this time is to build a foundation of military strength which can be sustained for a period of years without excessive strain on our productive resources, and which will permit rapid expansion should the need arise. (Budget, FY1950, p. M7)

This was an unequivocal refutation of his critics' complaint; namely, that there would be no return to the pre-war manning and spending levels. The phrase, "which can be sustained," suggested that the government should decide on a permanent readiness level, rather than expect to rapidly mobilize under crisis. In contrast to President Reagan in the 1980's, Truman was willing and did call for a tax increase to continue his programs, including defense. Congress resisted both.

In March, 1949, the NSC undertook a major re-evaluation of national security policy to address the issues of atomic and conventional forces. It was a particularly important period for the Navy.

In the post-1945 retrenchment of defense expenditures, and "rationalization" of the separate services into a unified defense ministry... navies came under heavy pressure. (Kennedy, 1987, p. 386).

Truman spoke of "adjusting the composition" of the naval fleet, and said he would maintain 731 ships and 288 combatants. Not all strategic thinkers were convinced that the Navy was archaic.

Despite the advent of atomic weapons, Nitze argued, traditional weapons of war such as...naval forces would remain of paramount importance in the new age. [Atomic] bombs...made the danger of another Pearl Harbor many times greater. (Callahan, 1990, pp. 51-3)

Most of the decision makers did not agree, and ships were laid up.

The biggest blow suffered by the U.S. Navy during the year [April 29] was the suspension of the giant fleet aircraft carrier *United States*, 65,000 tons, only a few days after her keel was laid (Jane's, 1950, pp. vi-vii).

The absolute end of the post-war drawdown was reactionary to world events rather than the result of strategic planning. The first of these watershed events occurred on September 3, 1949, when atomic testing was detected in the USSR. There was a temporary reversal of trends, but the FY1950 and FY1951 budgets continued reduction, though more in rhetoric than fact. Personnel levels fell again before surging for Korea. (Figure 27)

TABLE 13. ACTIVE DUTY STRENGTH (x1000) FLUCTUATIONS

| Jun 47 | Apr 48 | Jun 48 | Dec 48 | Jun 49 |
|--------|--------|--------|--------|--------|
| 1,583 | 1,394 | 1,446 | 1,604 | 1,615 |

(Source: Budget of the United States, FY 1950.)

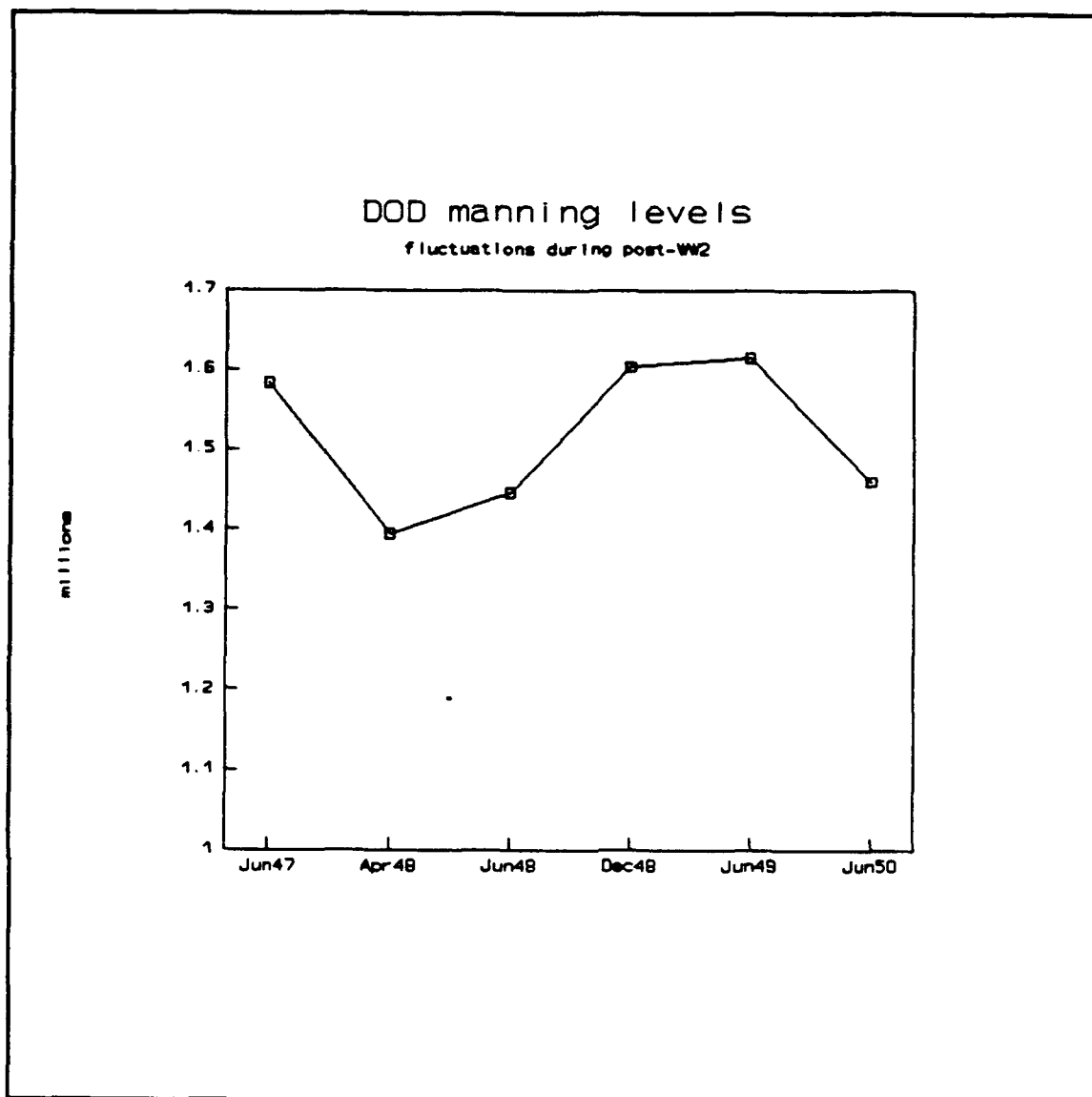


Figure 27. DOD Manning Fluctuations, 1947-1950

(Source: Budget of the United States, FY 1950.)

F. 1950: FY1951 BUDGET

In the continuing oscillations of strategic thinking, and despite the recently completed 1949 strategic review, Truman ordered another complete review on January 31, 1950. It provided new confirmation that his desire to move away from primary reliance on nuclear weapons would require large defense budgets. The politics of the year centered on economic recovery, and after several years of having Congress trim his defense budgets, Truman acceded to the Congressional will and submitted a budget within the congressional cap, with 3.9 billion for the Navy.

The budget message forecast relatively stable defense budgets for the near term. Truman recommended slight personnel reductions, 2.6 percent overall and 6.3 percent for the Navy. The active fleet would decrease to 652 ships, of which 238 were combatants. There was obviously no anticipation of Korea.

The end of the fiscal year results left DOD manning at 1,460,000, almost 10 percent cut below 1949 and just above the 1947 all time low. Outlays would increase four percent. For awhile it seemed that the wild fluctuations were gone and that defense levels were stabilizing. A debate ensued within the administration over defense budgets. Oddly, the State Department, under Dean Acheson, Robert Lovett and Paul Nitze, took the lead in calling for substantial military spending while Defense Secretary Johnson argued for cutting. The hardliners won and Truman fired Johnson. They developed National Security

Council document 68, arguing that the United States could out-spend the Soviets. While Truman agreed with the premise, he did not like its fiscal implications of \$40 billion dollar defense budgets and did not immediately sign it.

The second watershed event occurred on June 24, 1950, as North Korea invaded South Korea. Truman secretly signed a revised NSC 68/3 and publicly called for increasing military personnel on active duty to 3.2 million. The post-World War II drawdown was officially and completely ended.

G. SCORING THE POST-WORLD WAR II REDUCTION

The post-World War II demobilization was a rapid and dramatically deep fall over a few years. (Figure 28) The following years, 1947--1950, were calm relative to the 1945 and 1952 war year peaks, but in any other period they would be considered severe budget fluctuations, dropping and rising by one third to nearly one half. President Truman's call for sustained defense funding had gone unheeded. Viewed together, Truman's budget requests in 1948 and 1949 create an upward-curving, reverse image of the 1992 Cheny "pitchfork" chart. (Figure 29) Ironically, when he finally succumbed to the Congress and reduced his defense requests for 1950, world events bore out the wisdom of his original budgets. The 1948 budget submission for FY1949, rejected by the Congress, would have taken defense spending on a trend line which would have intersected the eventual level spent at the start of Korea. Figure 30 illustrates the scoring.

TABLE 14. POST-WW2 SCORECARD

| | peak... | | trough... | | % chg | rate | 1989-87 |
|----------|---------|--------|-----------|-------|-------|------|---------|
| DOD \$ | 1945 | \$599B | 1948 | \$58B | -90% | -30% | -48% |
| USN \$ | 1944 | \$208B | 1947 | \$22B | -89% | -30% | -53% |
| DOD man. | 1945 | 12123K | 1948 | 1460K | -88% | -29% | -36% |
| USN man. | 1944 | 3228K | 1947 | 444K | -86% | -29% | -33% |
| ships | 1945 | 804 | 1950 | 238 | -70% | -14% | -40% |

(Note: Budget outlays in constant 1982 dollars.)

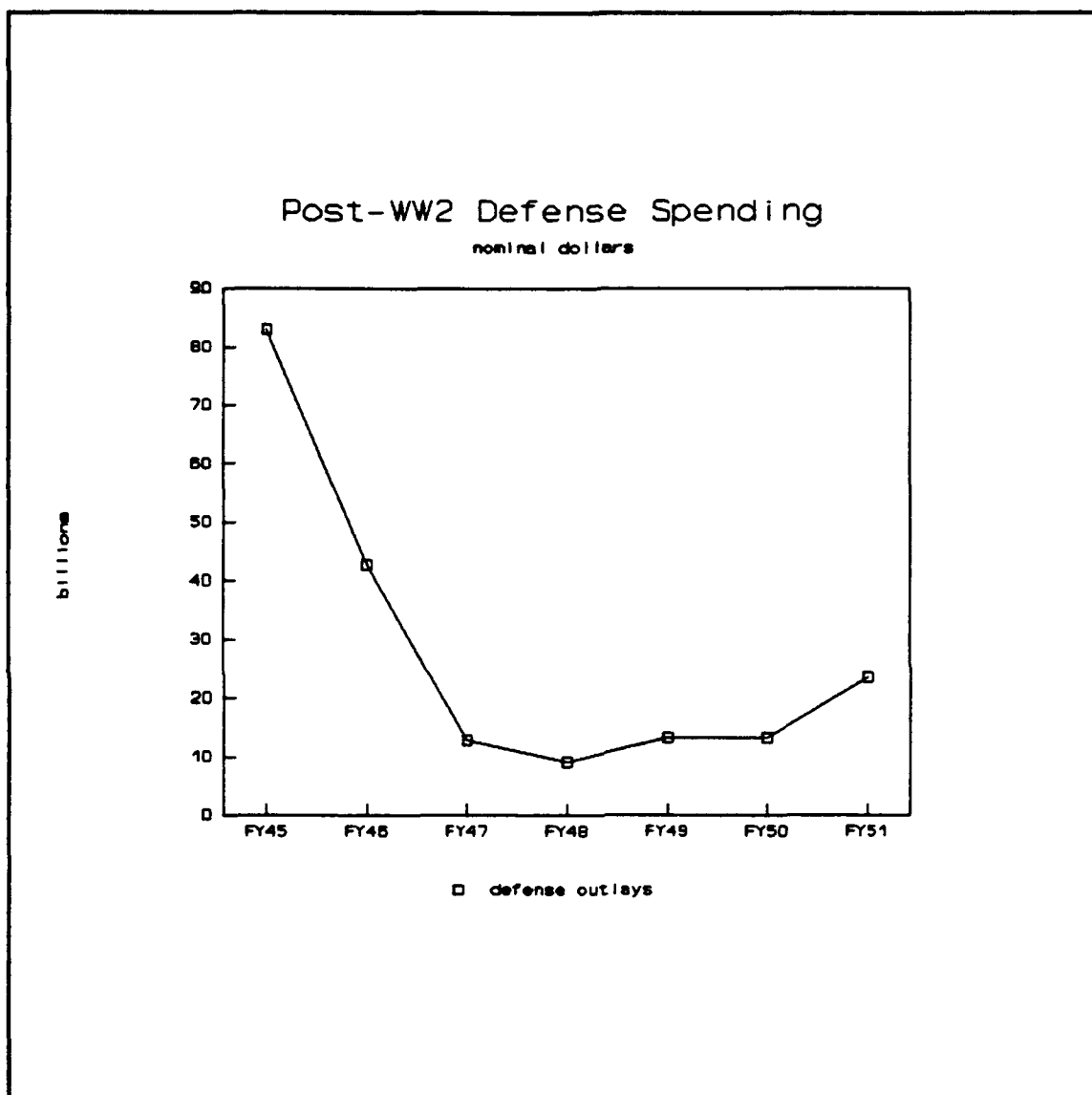


Figure 28. Post-WW2 Defense Spending

(Source: Historical Tables, Budget of the United States, 1990.)

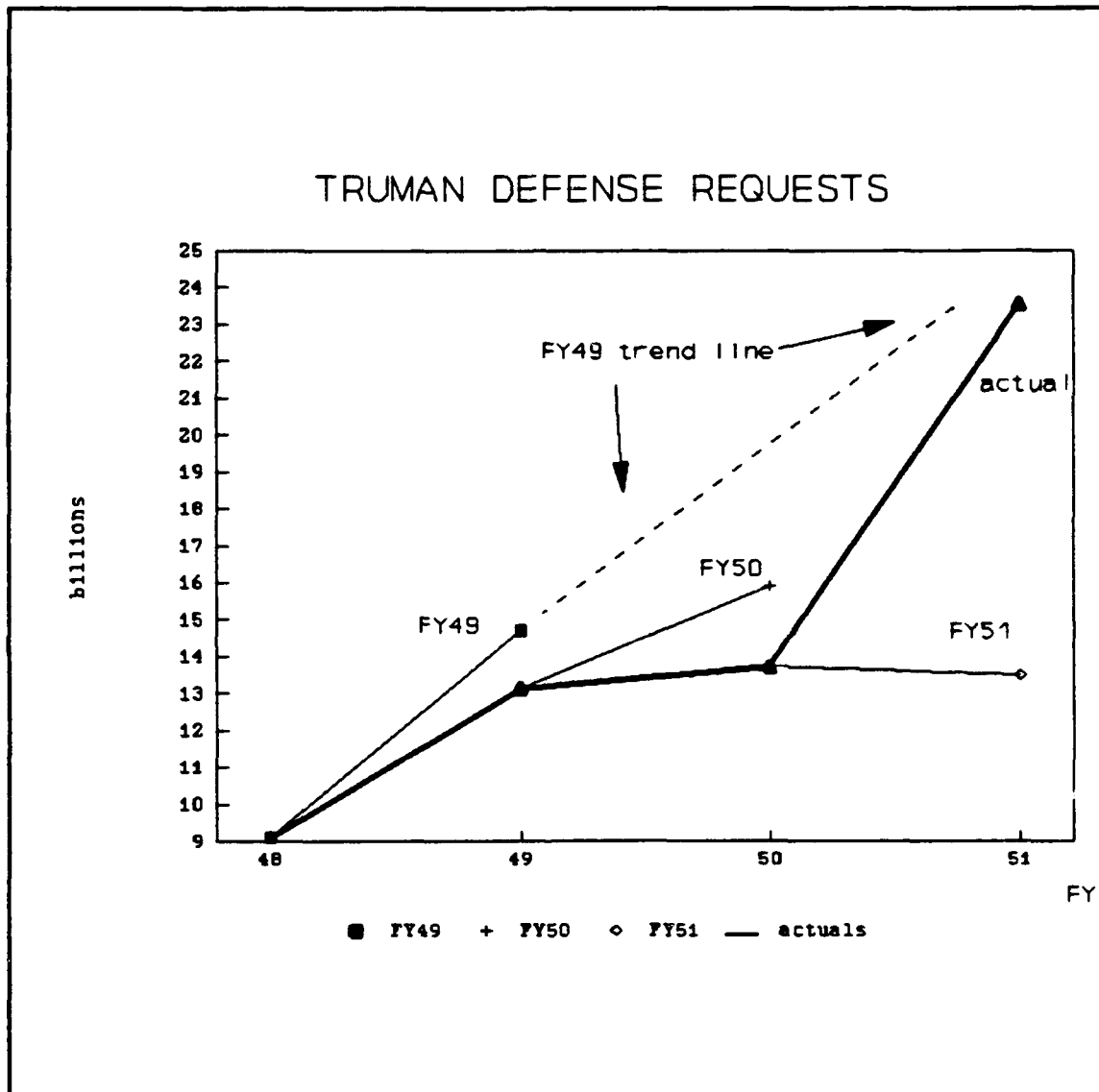


Figure 29. Truman Defense Requests vs. Actuals

(Source: Historical Tables, Budget of the United States, 1990.)

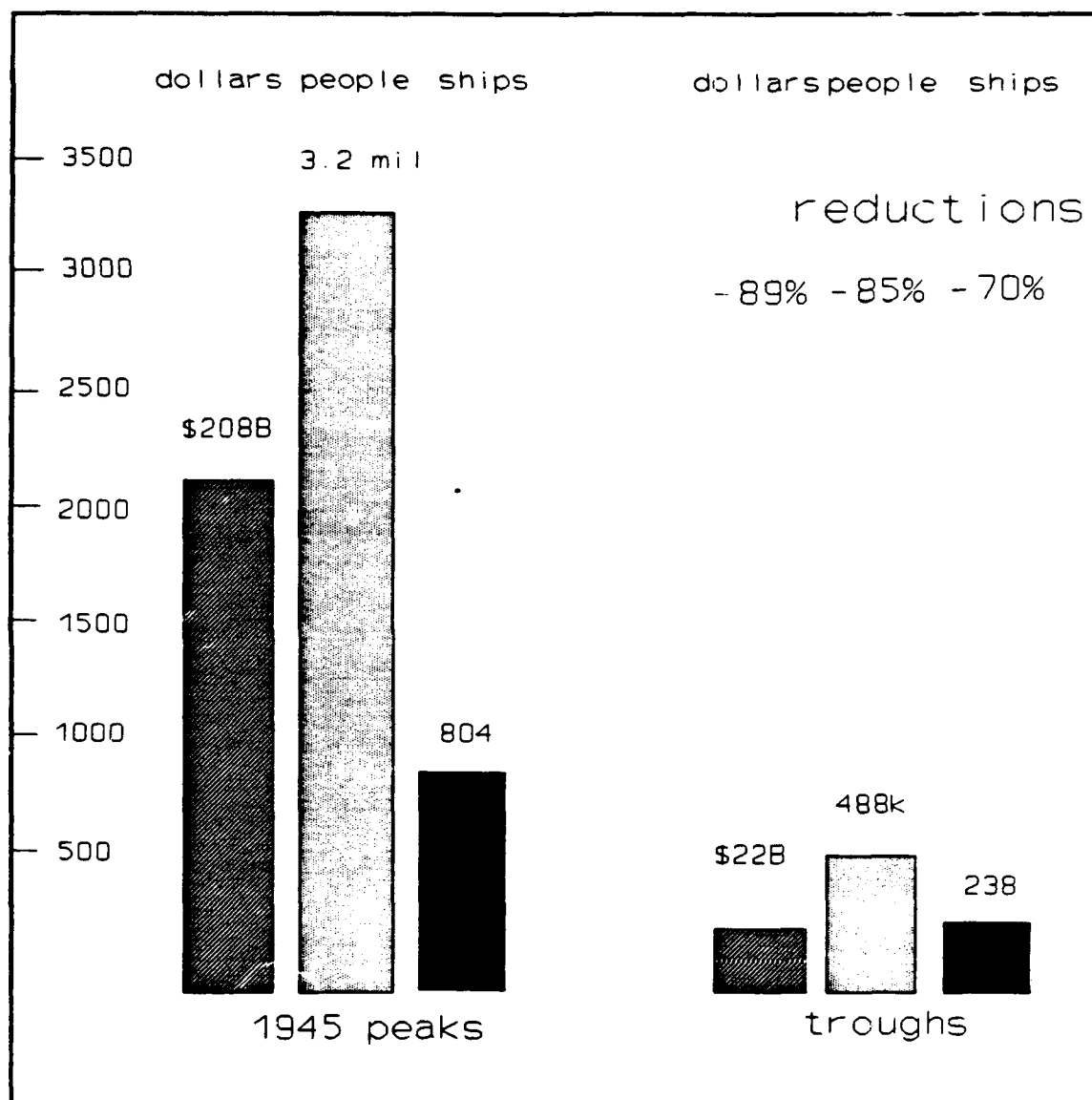


Figure 30. Post-WW2 Navy

H. SUMMARY

While the range of reduction in the post-World War II period was unique, there were lessons for the later post-conflict periods. First, despite an awareness by the administration of the need for strategic planning, both their efforts and prior efforts by military staffs were to no avail. Current events drove the reduction, as political demands were for swift reaction to each significant occurrence. Secondly, though decision makers intended to retain a re-mobilization capability, the follow-on crisis came too quickly and the nation was not sufficiently prepared. Third, the president's grasp of the issue grew with experience, but his political weakness left Congress in charge.

The post-war demobilization, too rapid and without the guidance of a national security strategy, hurt during the early days of the Korean War, when Marshall had inadequate resources. Many became concerned that America never again be militarily unprepared. Chapter V. discusses how these concerns played out in the post-Korean drawdown, and how the nuclear--conventional forces debate was decided.

V. POST-KOREA

This chapter deals with the post-Korean War period, from 1953 through 1960. It argues that President Eisenhower was unique in both his consistent determination to hold down defense spending, and his success among modern presidents in accomplishing both his defense and economic goals. A contrast is drawn to the reversed roles of the President and Congress in the current drawdown. Another contrast is the lessened impact of world events on defense budgets. These aspects of the period can be followed in the chronological treatment of the fiscal year defense budgets. The chapter ends with the scorecard for the reductions.

A. UNIQUE ROLE OF PRESIDENT EISENHOWER

Like the post-World War II period, the post-Korean War drawdown was conducted by the same president who ended the war. But unlike President Truman, President Eisenhower came to office with great popularity, experience in foreign affairs, and stature as a military leader equaled only by Washington and Grant. He spent these political assets to hold down defense budgets in an effort to foster prosperity. Like Reagan, he focused on the economic prosperity and military strength. Unlike Reagan, he

achieved them without deficits. The difference lay in his success with Congress and reliance on nuclear weapons for defense. As will be shown by the chronological review which follows, President Eisenhower had to fight Congress and handle international crises like other presidents to achieve his goals. Both pressed him for increased defense budgets, but President Eisenhower successfully resisted those efforts.

B. 1953: FY1954 BUDGET

President Truman's last budget was dominated by defense as all had been since 1945. The defense budget authorizations that peaked in 1952 resulted in still higher expenditures and mobilization levels in 1953 and 1954. The armed forces had more than doubled from 1950 to 1953, to 3.6 million personnel. Already looking to a "post-Korean" period, the president predicted level defense spending for the near term, and perhaps \$15 billion in gradual, outyear reductions (Budget, FY1954, p. M10). Truman continued a "pay-as-you-go" attitude towards his defense program, calling for extension of the excise tax (Budget, FY1954, p. M7). Among the provisions within the defense budget was funding for 408 warships.

TABLE 15. FY1954 TRUMAN DEFENSE BUDGET PROJECTION

| FY | new BA | % chg | Outlay | % chg | |
|------|-----------|--------|-----------|-------|--------|
| 1951 | \$ 48.2 B | --- | \$ 19.7 B | --- | actual |
| 1952 | \$ 60.3 B | 27.2% | \$ 38.9 B | 97.5% | actual |
| 1953 | \$ 48.1 B | -20.2% | \$ 43.2 B | 11.1% | proj. |
| 1954 | \$ 41.2 B | -14.3% | \$ 45.4 B | 5.1% | proj. |

(Source: Budget of the United States, FY1954.)

President Eisenhower took office determined to cut defense spending and balance the budget.

Eisenhower cut Truman's request for new spending by nearly \$10 billion, the bulk of the savings coming from defense (Ambrose, 1984, pp. 70-71).

The service chiefs and Europeans objected to the troop reductions, just as in the 1990's, but the public supported Eisenhower's defense program reduction plans.

TABLE 16. PUBLIC VIEW OF EISENHOWER CUTS

| | | | | |
|----------------|----------|------------|-------------|------|
| cut defense? | agree | disagree | | n/a |
| May 1953 | 65 % | 26 % | | 9 % |
| cut too much? | yes | no | | n/a |
| July 1953 | 17 % | 55 % | | 28 % |
| defense budget | too big? | too small? | just right? | n/a |
| Sept. 1953 | 20 % | 22 % | 45 % | 13 % |

(Source: Gallup, 1953, pp. 1144, 1158, 1170)

C. 1954: FY1955 BUDGET

President Eisenhower's first budget message called for the "strengthening of our military posture" and "greater efficiency and economy" in defense spending (Budget, FY1955, p. M7). Where President Truman's budget messages focused on national security, President Eisenhower's focused on the finance side of government, and an efficient defense via three main elements:

1. reorganization for joint and combined operations;
2. replace conventional forces with strategic nuclear forces;
3. increased air power, including missile research.

Underlying these was a "new concept" for planning and funding defense, one that eliminated strategic planning based on "assumed fixed dates of maximum danger." The words recalled Truman's 1949 call for sustainable forces.

This budget is aimed instead at providing a strong military position that can be maintained over the extended period of uneasy peace (Budget, FY1955, p. M38).

President Eisenhower's "New Look" defense program was opposed by the State Department and both ends of the political spectrum (Ambrose, 1984, pp. 223-5). However, the public retained confidence in the President, with 64 percent believing the military "better prepared" for war than before (Gallup, 1954, p. 1274).

D. 1955: FY1956 BUDGET

The FY1956 budget message claimed to have "successfully made the adjustment from a wartime to a peacetime type of economy....", with benefits in reduced defense and total outlays. Eisenhower asked to maintain Truman's excise taxes to pay for defense. Avoiding dramatic moves, Eisenhower made incremental adjustments to keep funding down. He planned to reduce active duty strength from 3.2 to 3 million by June 30, 1953, and 2.8 million by June 30, 1956. Lower overall troop strength allowed increases in pay and benefits without additional spending.

Not all accounts were cut. The Air Force was the only service whose personnel level increased. His budget provided for more "airpower than ever before in peacetime...." (Budget, FY1956, p. M8) The majority of the defense budget was going towards air power programs. These accounts stimulated the economy directly and technology advances indirectly.

In October, 1956 the Suez Crisis fueled calls for rearming, but Eisenhower resisted U.S. involvement. The public approved and doubled his victory margin in the November election.

E. FY1956-1960 BUDGETS

President Eisenhower kept defense budgets and programs relatively stable through the end of the decade. (Figure 31 through 35) Expenditures for atomic power, missiles, and continental defenses increased, and conventional forces were modestly cut. Though crises occurred, his defense program was

"successfully reoriented to the changing nature of the threat..." (Budget, FY1957, p. M38) In 1957 the Soviets launched Sputnik and the Gaither Report claimed American defenses were inadequate. Eisenhower faced new pressure to increase defense spending from all quarters, but he kept to his program.

Later budgets requested increases for force modernization, making the military an attractive career, the nuclear carrier program and increasing the reserves to 1.1 million. By the FY1958 budget, President Eisenhower could claim success in solving the power equation defined in Chapter II.

Today, almost 12 years after World War II, the United States has demonstrated that it is possible to sustain a high employment economy independent of war and continually unbalanced Federal budgets (Budget, FY1958, p. M6).

The FY1959 budget called for increases of \$1.3 billion immediately and \$ 2.5 billion in 1959 for missile and other procurement, reflecting concerns over the Soviet Union. These were partially offset by \$ 2.8 billion decreases in other accounts.

The FY1960 budget predicted a continued need for large defense programs "...in an era of world trouble and unrest." (Budget, FY1960, p. M6) Approximately 59 percent of federal spending was going to national security programs, yet President Eisenhower ended his term with warnings against unbalancing the power equation by excessive defense spending. His caution against the "military-industrial complex" became the center of the guns-versus-butter debate.

TABLE 17. POST-KOREAN DEFENSE SPENDING, BILLIONS OF NOMINAL \$

| FY | BA | % chg | Outlay | % chg |
|------|-------|---------|--------|---------|
| 1952 | 60574 | --- | 38967 | --- |
| 1953 | 53012 | -12.48% | 47564 | 22.06% |
| 1954 | 34374 | -35.16% | 40336 | -15.20% |
| 1955 | 30787 | -10.44% | 35532 | -11.91% |
| 1956 | 33187 | 7.80% | 35791 | 0.73% |
| 1957 | 36255 | 9.24% | 38439 | 7.40% |
| 1958 | 36747 | 1.36% | 39062 | 1.62% |
| 1959 | 42683 | 16.15% | 43573 | 11.55% |
| 1960 | 41959 | -1.70% | 42824 | -1.72% |
| 1961 | 43106 | 2.73% | 44676 | 4.32% |

TABLE 18. POST-KOREAN DEFENSE SPENDING, BILLIONS OF 1982 \$

| FY | BA | % chg | Outlay | % chg |
|------|--------|--------|--------|---------|
| 1952 | 312559 | --- | 201068 | --- |
| 1953 | 255973 | -14.3% | 229667 | 18.07% |
| 1954 | 160551 | -37.3% | 188398 | -17.92% |
| 1955 | 139941 | -12.8% | 161509 | -13.52% |
| 1956 | 143853 | 2.8% | 155141 | 0.72% |
| 1957 | 150937 | 4.9% | 160029 | 6.89% |
| 1958 | 143937 | -4.6% | 153004 | 1.59% |
| 1959 | 160765 | 11.7% | 164117 | 10.35% |
| 1960 | 154945 | -3.6% | 158139 | -1.75% |
| 1961 | 156406 | 0.9% | 162103 | 4.14% |

(Source: Budget of the United States, FY 1952--1961.)

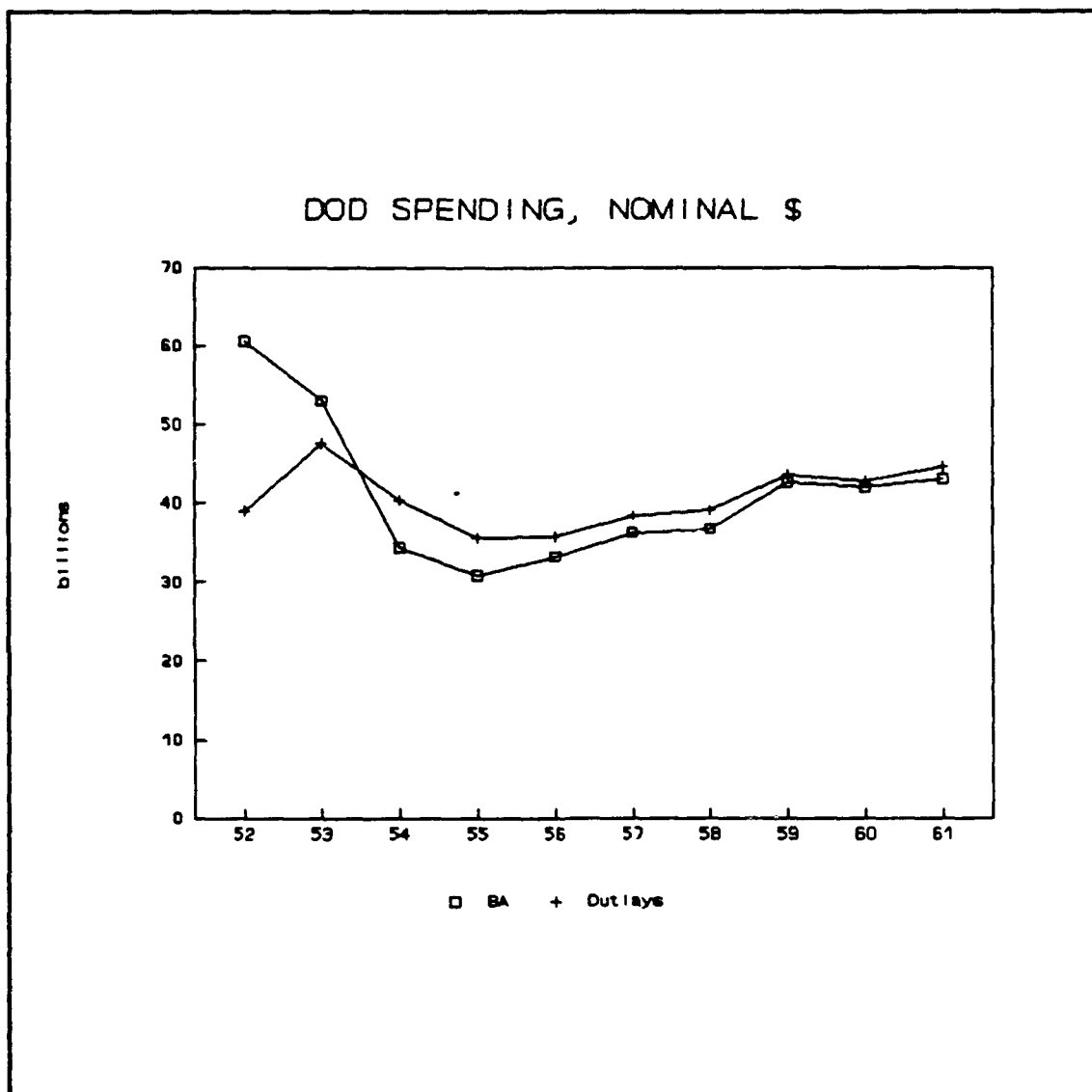


Figure 31. Post-Korea Defense Spending

(Source: Budget of the United States, FY 1952-1961.)

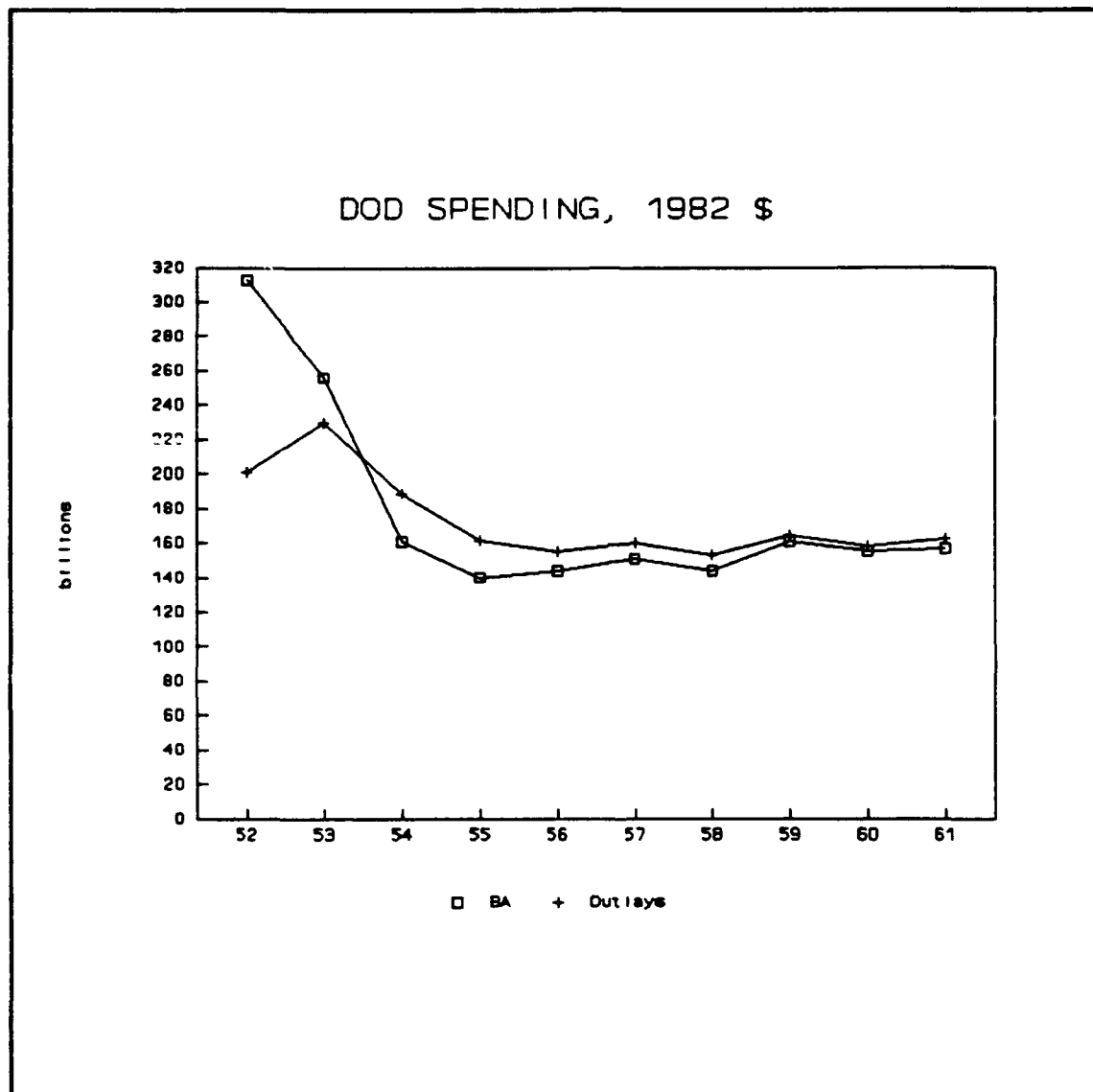


Figure 32. Post-Korea Defense Spending, Constant \$

(Source: Budget of the United States, FY 1952--1961.)

TABLE 19. POST-KOREAN DOD MANNING

| year | active | % chg | reserve | % chg |
|------|-----------|--------|-----------|--------|
| 1952 | 3,605,000 | --- | 515,000 | --- |
| 1953 | 3,536,000 | -1.93% | 732,000 | 42.22% |
| 1954 | 3,200,000 | -9.50% | 697,000 | -4.80% |
| 1955 | 2,935,000 | -8.30% | 851,000 | 22.12% |
| 1956 | 2,806,000 | -4.40% | 952,000 | 11.87% |
| 1957 | 2,795,000 | -0.38% | 1,071,000 | 12.50% |
| 1958 | 2,600,000 | -6.98% | 1,025,000 | -4.28% |
| 1959 | 2,503,000 | -3.72% | 1,062,000 | 3.55% |
| 1960 | 2,475,000 | -1.12% | 1,073,000 | 1.05% |
| 1961 | 2,482,000 | 0.27% | 1,086,000 | 1.24% |

TABLE 20. POST-KOREAN USN MANNING

| year | active | % chg | reserve | % chg |
|------|---------|--------|---------|---------|
| 1952 | 817,000 | --- | 126,000 | --- |
| 1953 | 794,000 | -2.78% | 136,000 | 7.96% |
| 1954 | 733,000 | -7.73% | 139,000 | 2.37% |
| 1955 | 661,000 | -9.86% | 149,000 | 7.14% |
| 1956 | 670,000 | 1.40% | 150,000 | 0.70% |
| 1957 | 667,000 | -0.42% | 163,000 | 8.83% |
| 1958 | 641,000 | -3.91% | 154,000 | -5.59% |
| 1959 | 626,000 | -2.29% | 130,000 | -15.75% |
| 1960 | 618,000 | -1.33% | 133,000 | 2.08% |
| 1961 | 627,000 | 1.46% | 138,000 | 3.99% |

(Source: Budget of the United States, FY 1952--1961.)

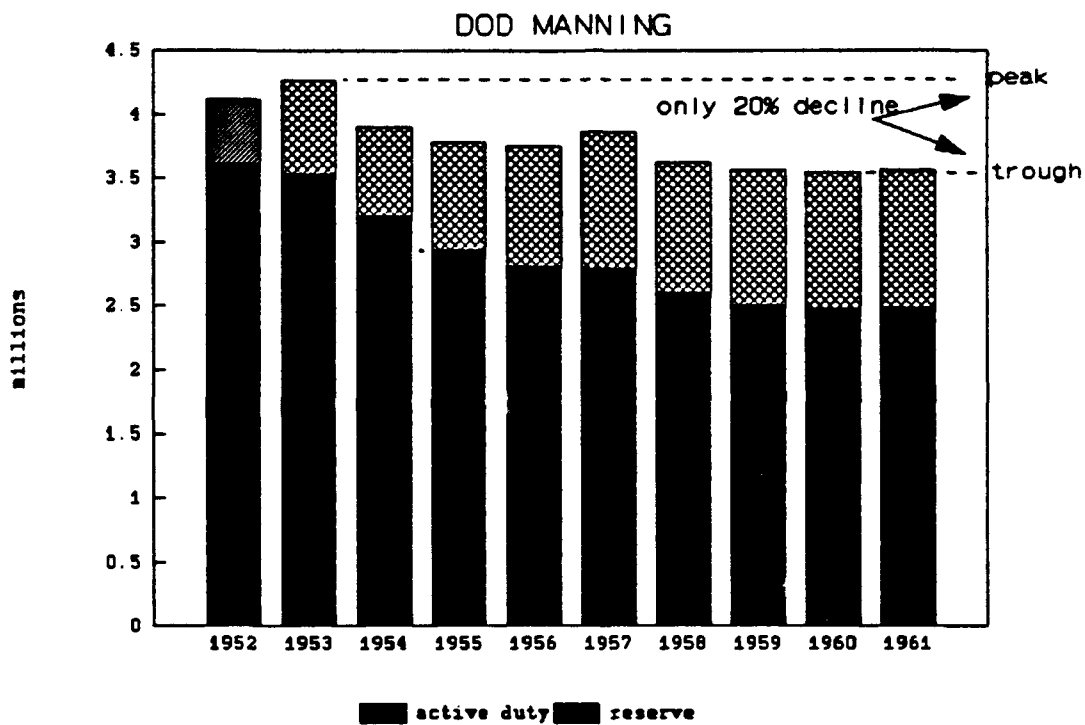


Figure 33. Post-Korea DOD Manning

(Source: Budget of the United States, FY 1952--1961.)

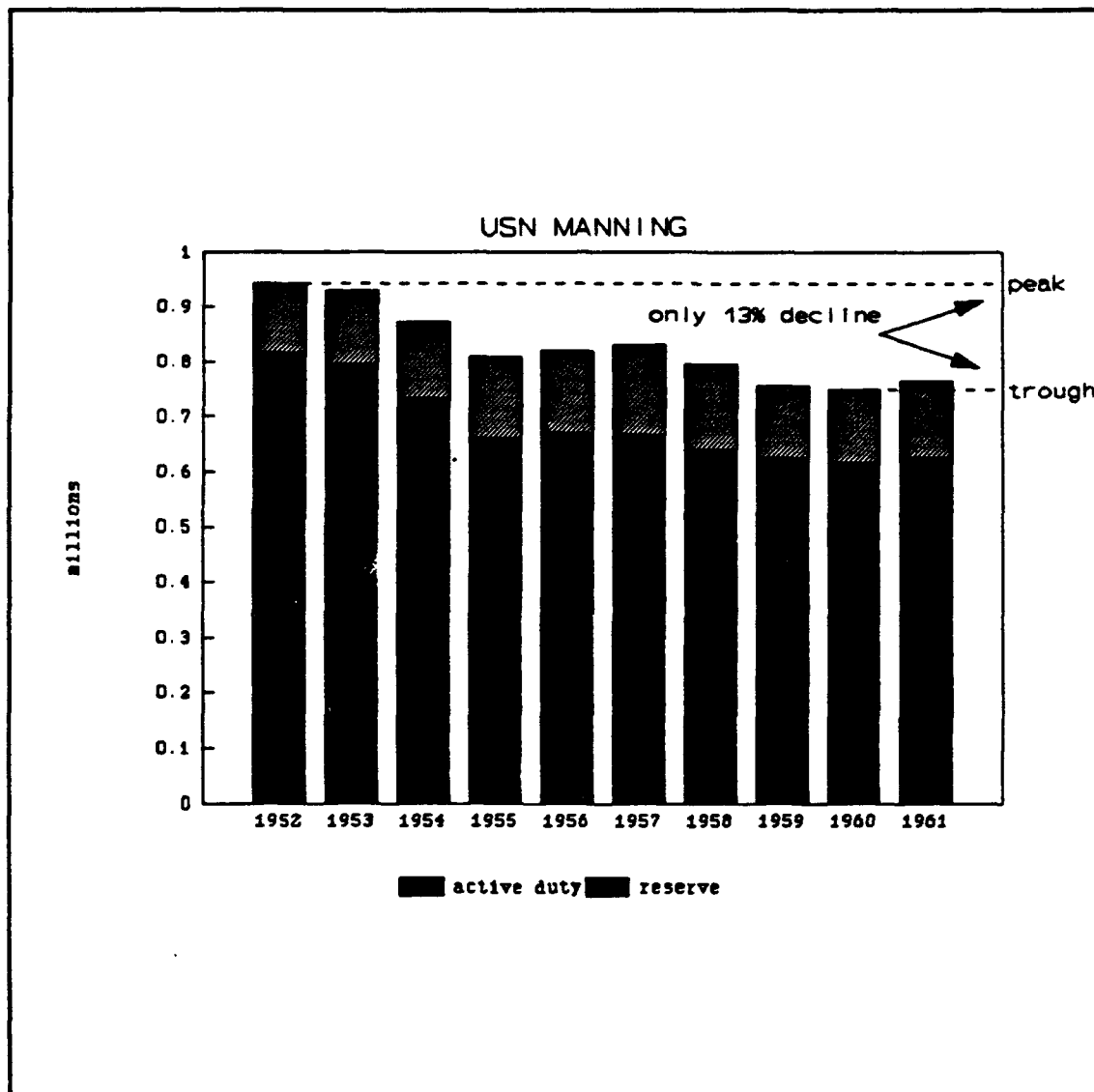


Figure 34. Post-Korea USN Manning

(Source: Budget of the United States, FY 1952--1961.)

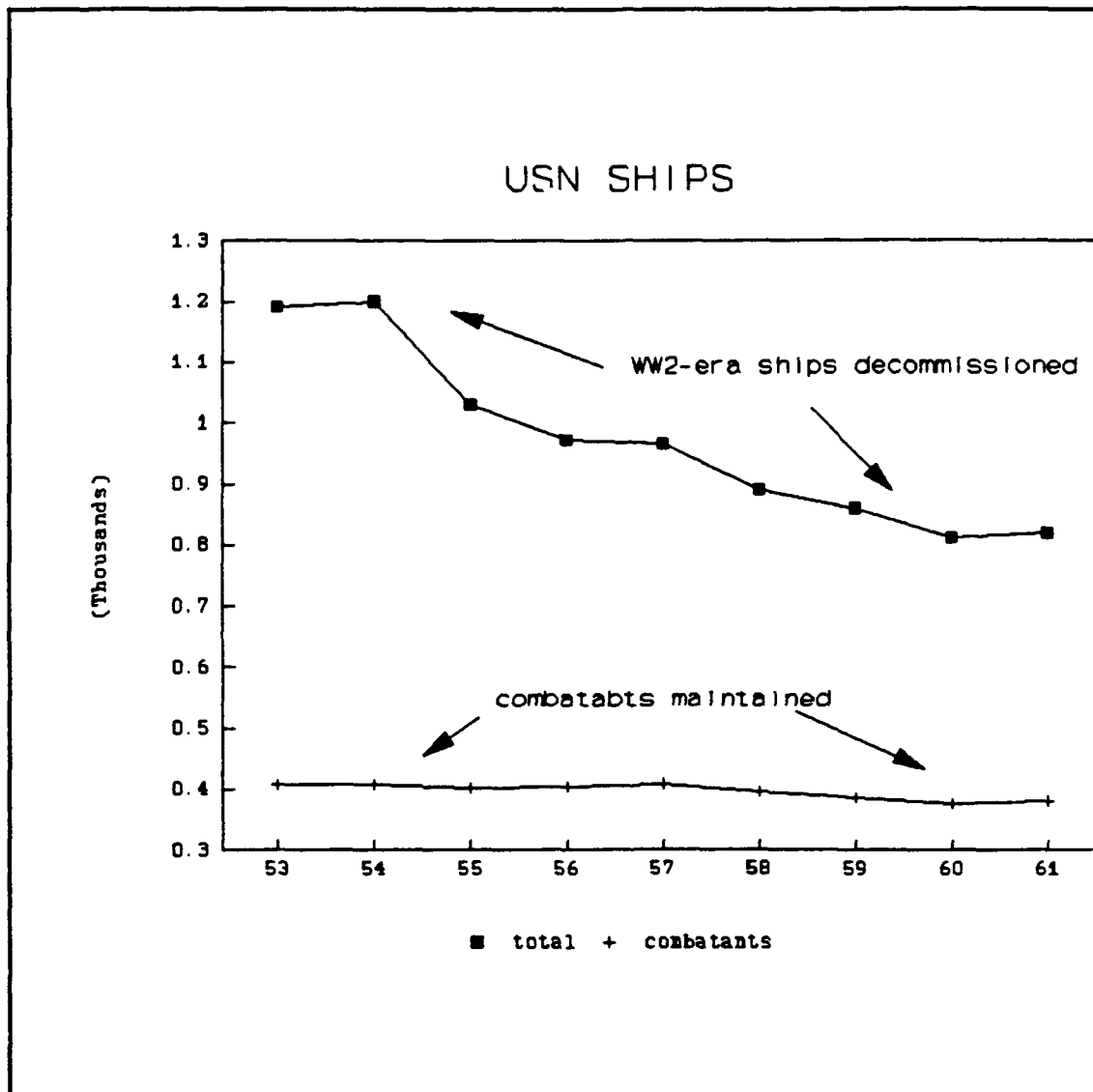


Figure 35. Post-Korea Ships

(Source: Jane's Fighting Ships, 1953--1961.)

F. SCORING THE POST-KOREAN REDUCTION

The stability of the post-Korean period defense structure is shown by contrasting the budgets with the active duty personnel levels. (Figure 36) From the 1953 war peak of 3.7 million, manning declines in a gradual, smooth slope to a 1960 level of 2.5 million. Decreases in active duty personnel were partially offset by growth in the reserves. Net military personnel went from 4,120,000 to 3,568,000, down only 13 %. Total Navy manning fell 20.4 percent. The total active fleet fell by a third, but combatants were stable, 408 at the peak to 376 at the trough. While these gradual decreases in force structure continued, defense budgets increased in a similarly incremental fashion. Thus, quality was kept high and hollow forces were avoided, while real spending was level and cuts were relatively proportional.

TABLE 21. POST-KOREA SCORECARD

| | peak..... | | trough..... | | %chg | rate | 1989-97 |
|----------|-----------|--------|-------------|--------|------|-------|---------|
| DOD \$ | 1952 | \$313B | 1960 | \$155B | -51% | -6.3% | -48% |
| USN \$ | 1952 | \$84B | 1960 | \$39B | -54% | -6.7% | -53% |
| DOD man. | 1952 | 3685K | 1960 | 2475K | -33% | -4.1% | -36% |
| USN man. | 1952 | 817K | 1960 | 618K | -24% | -3.0% | -33% |
| ships | 1953 | 408 | 1960 | 376 | -8% | -1.1% | -40% |

(Note: Budget outlays in constant 1982 dollars.)

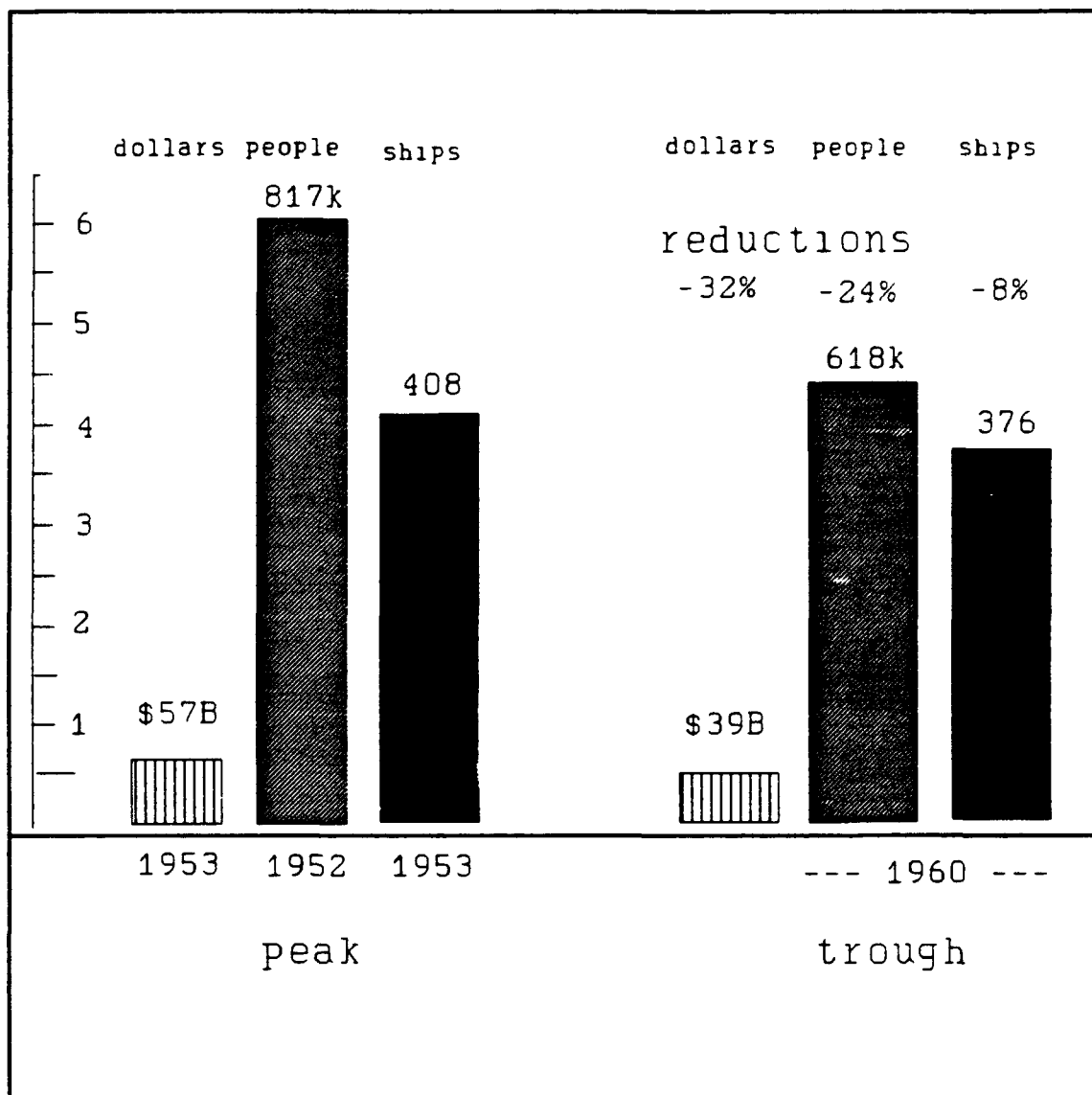


Figure 36. Post-Korea Navy

G. SUMMARY

The emergency nature of the Korean War, coming so soon after World War II, left many Americans fearful of being unprepared, and added to the tensions of the Cold War. As with the post-World War II period, immediately after the war's end there was a rapid and significant reduction in defense funding, 64 percent, and force structure. Then, President Eisenhower's steady hand on the economic engine and defense trigger kept reactions from boiling over, and allowed him to hold defense forces and spending level in real terms throughout his two terms. This stability contrasts with the wild fluctuations of the post-World War II period, and reflected a changed view of peacetime mobilization requirements. America could not return to a pre-1940 military, but neither should it over spend on defense. The next two administrations took more aggressive postures that culminated in Vietnam and public disdain for the military. Chapter VI. discusses the resulting post-Vietnam drawdown and hollow force.

VI. POST-VIETNAM

This chapter seeks to identify parallels in the current drawdown to the post-Vietnam "hollow force" as defined in Chapter II. The post-Vietnam drawdown occurred among political turmoil, and under three politically weak Presidents, who faced arduous economic conditions. A chronology of the fiscal year defense budgets demonstrates that economics and politics drove defense budgets more than strategic concerns. The scoring for the reductions identifies a relationship between defense budgets and force levels that allowed a hollow force to develop.

A. FY1973, NIXON

The high water mark for U.S. military activity in Vietnam was 1968, with defense outlays of \$215 billion 1982 dollars, and a half million troops in country. From that point, budgets declined as troops were withdrawn, making this drawdown unique in beginning before the end of the conflict. President Nixon had promised to end the war, and the Congress ensured attainment of that goal through reduced defense appropriations. Nixon's FY1971 defense request was cut by Congress \$2.1 billion, and the FY1972 request by \$3 billion. By 1973, defense budgets had shrunk to 32 percent of government expenditures, and President Nixon hoped to concentrate on domestic matters.

Our reduction of 480,000 men from Vietnam allows for the first time spending more on HEW than Defense (Budget, FY1973, p. 9).

While cutting defense overall, the budget did request \$6.3 billion to increase strategic and naval programs.

...[requests] a major increase in shipbuilding, reflecting the high priority I place upon modernizing our naval forces (Budget, FY1973, p. 17).

Congress passed the War Powers Act and set spending limits for defense of Southeast Asia.

B. FY1974, NIXON

The FY1974 budget hoped to merely "keep defense in line." (Budget, FY1974, p. 15) Polling found 44 percent of the public thought there was "too much" spending on the military (Gallup, 1974, p. 362). The most expensive part of the Nixon defense program would be the change to the all volunteer force (AVF), necessitated by the politically unacceptable draft. The AVF required doubling of pay scales to attract volunteers, and the budget message projected an increase in total national defense outlays from \$76.4 billion in 1973 to \$81.1 billion in 1974, and \$85.5 billion in 1975, attributed primarily to these pay increases. The administration planned to achieve the AVF with 74% fewer active duty personnel than 1968, at an estimated \$3 billion cost, while using size reductions to offset modernization costs.

The Nixon budgets defended defense spending levels using percentage-of-budget measures, contrasting essentially level

defense outlays against substantial increases in total and non-defense spending. This was the 1991 Bush-Cheney defense effort without the pitchfork chart.

C. FY1975, NIXON

For FY1975, the budget provided for national defense at only 29 percent of total expenditures, though there were still some increases for defense programs. President Nixon's arguments were much like those of other President's during drawdowns: re-telling how much had been previously cut, and arguing against further cuts.

...36 percent fewer men in arms than 1968, costs down in constant dollars, but up in nominal dollars to keep readiness and modernization (Budget, FY1974, p. 41).

The President requested supplemental appropriations, and employed percentage-of-GNP illustrations to show declining defense outlays, then below six percent.

Table 23 and Figures 37 and 38 illustrate the Nixon defense requests and the extent to which they were cut by Congress. The actual amounts in later years reflect the inflation of the Ford and Carter administrations. As shown, Nixon attempted to maintain level defense spending in the Eisenhower mold with smaller, high quality forces, including unpopular base closures. However, the Watergate affair removed his political power and Congress took control of the defense budget issues.

TABLE 22. NIXON DEFENSE BUDGET REQUESTS

| nominal \$, billions | | | | | | | | |
|----------------------------|---------|-------|-------|-------|-------|-------|-------|-------|
| yr | actuals | % chg | FY73 | %chg | FY74 | %chg | FY75 | % chg |
| 72 | \$75 | | | | | | | |
| 73 | \$73 | -2.5% | \$78 | -6.4% | | | | |
| 74 | \$78 | 5.9% | | | \$81 | -4.3% | | |
| 75 | \$85 | 9.5% | | | \$86 | -0.6% | \$85 | 0.6% |
| constant 1982 \$, billions | | | | | | | | |
| yr | actuals | % chg | FY73 | %chg | FY74 | %chg | FY75 | % chg |
| 72 | \$172 | | | | | | | |
| 73 | \$157 | -8.5% | \$168 | -6.4% | | | | |
| 74 | \$152 | -3.2% | | | \$159 | -4.3% | | |
| 75 | \$150 | -1.6% | | | \$151 | -0.6% | \$149 | 0.6% |

(Source: Budget of the United States, FY 1973--1975.)

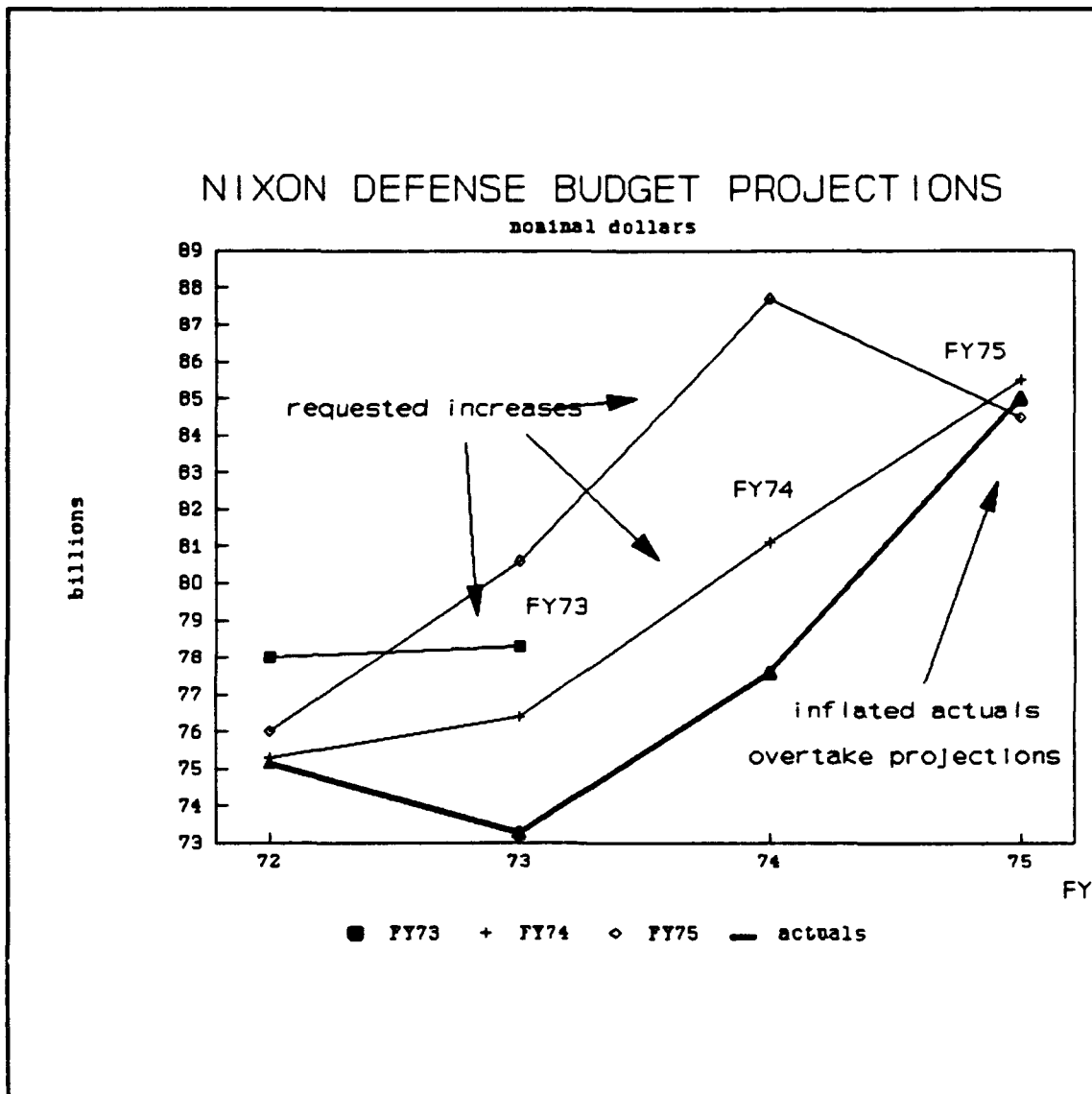


Figure 37. Nixon Defense Requests

(Source: Budget of the United States, FY 1973--1975.)

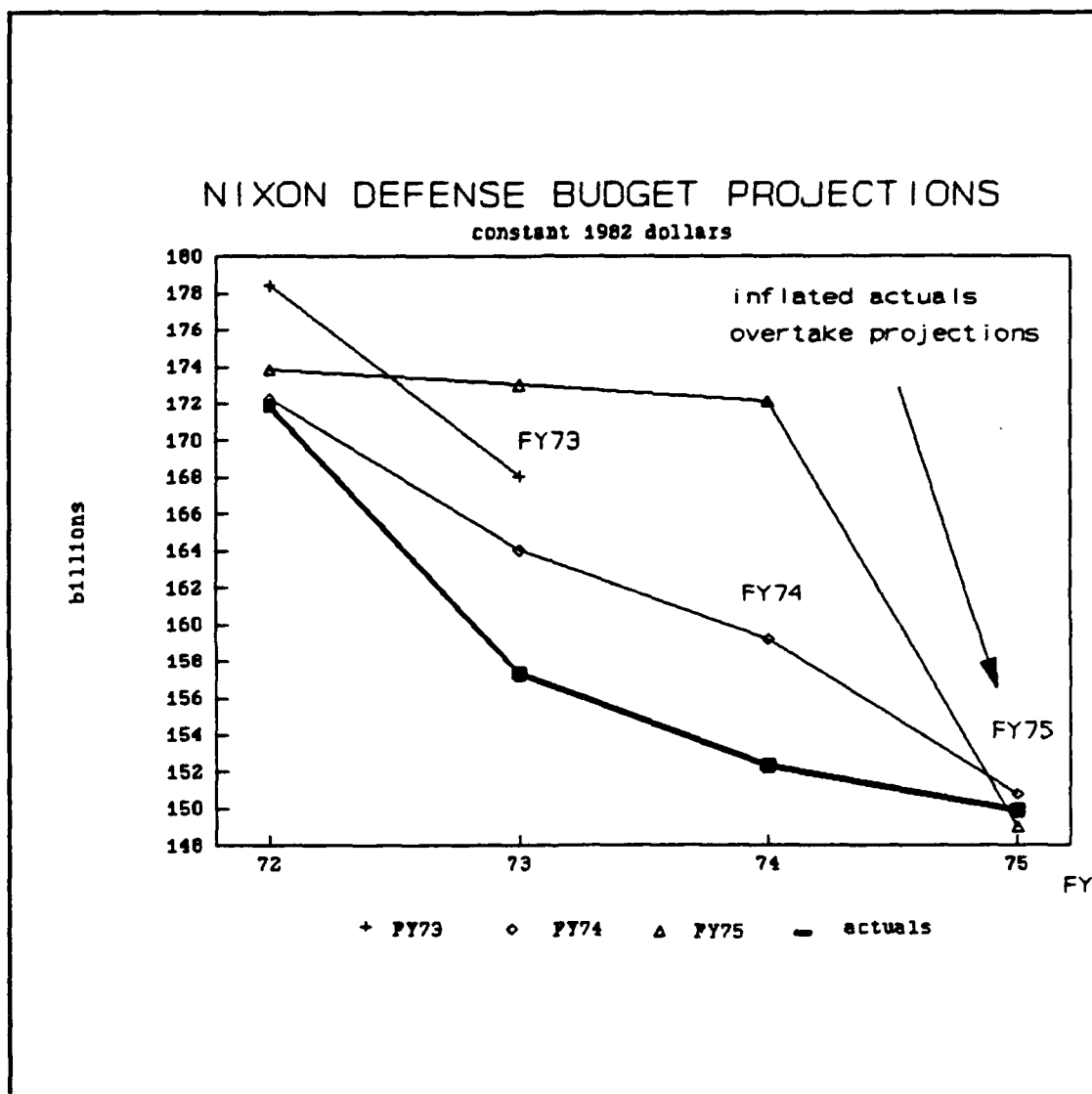


Figure 38. Nixon Defense Requests, Adjusted For Inflation

(Source: Budget of the United States, Fy 1973--1975.)

D. FY1976, FORD

The FY1976 Ford defense budget request understandably had a Nixon imprint and style. By 1976, only 27 percent of budget outlays were slated for national defense, and President Ford wanted to increase them, especially for the Navy.

In recent years the number navy of ships has decreased as a result of retirement of many aging ships built during World War. The savings have been used to strengthen the combat capability of the remaining forces. (Budget, FY1975, p. 13)

He requested increases in defense outlays from \$85.3 billion in 1975 to \$94 billion in 1976. A notable exception was his proposal for reduced military retirement annuities.

E. FY1977, FORD

The FY1977 Ford budget had a stylistic change from Nixon, but continued the recommendations for strong defense budgets, even as he continued Nixon's detente initiatives. President Ford's appeals for continued defense spending were direct.

I am recommending a significant increase in defense spending for 1977 (Budget, FY1977, p. M5).

The President repeated the Truman and Eisenhower calls for sustainable budgets, alluding to his experiences with the budget process as a Congressman. As with theirs, his challenge went unheeded by the Congress.

F. FY1978, FORD

President Ford's "lame duck" budget message recommended renewed growth in national defense spending, now down to 26 percent of the budget. Following one of the perennial reviews of maritime strategy and naval requirements, Ford introduced a concept later associated with Reagan.

[The review] resulted in a decision to accelerate modernization of the fleet, building toward a level of about 600 active ships by the 1990's (Budget, FY1978, p. 75).

Admittedly, this fleet would have included smaller carriers than the ones procured under Reagan.

G. ROLE OF INFLATION

Inflation and high interest rates dominated the economic news of the seventies, and made long-range budgeting very difficult. (Figure 39) Where the Eisenhower terms had seen inflation rates averaging 1.2 percent, the period 1968 to 1980 averaged 7.5 percent. Inflation was so great that Congressional defense appropriations ultimately exceeded original requests by Nixon, Ford and Carter, the very ones that had been rejected by the Congress when proposed only a few years before. Figures 40 and 41 illustrate this to be true of the period 1976 through 1980, after which the Reagan buildup eclipsed those inflationary effects, and real increases occurred.

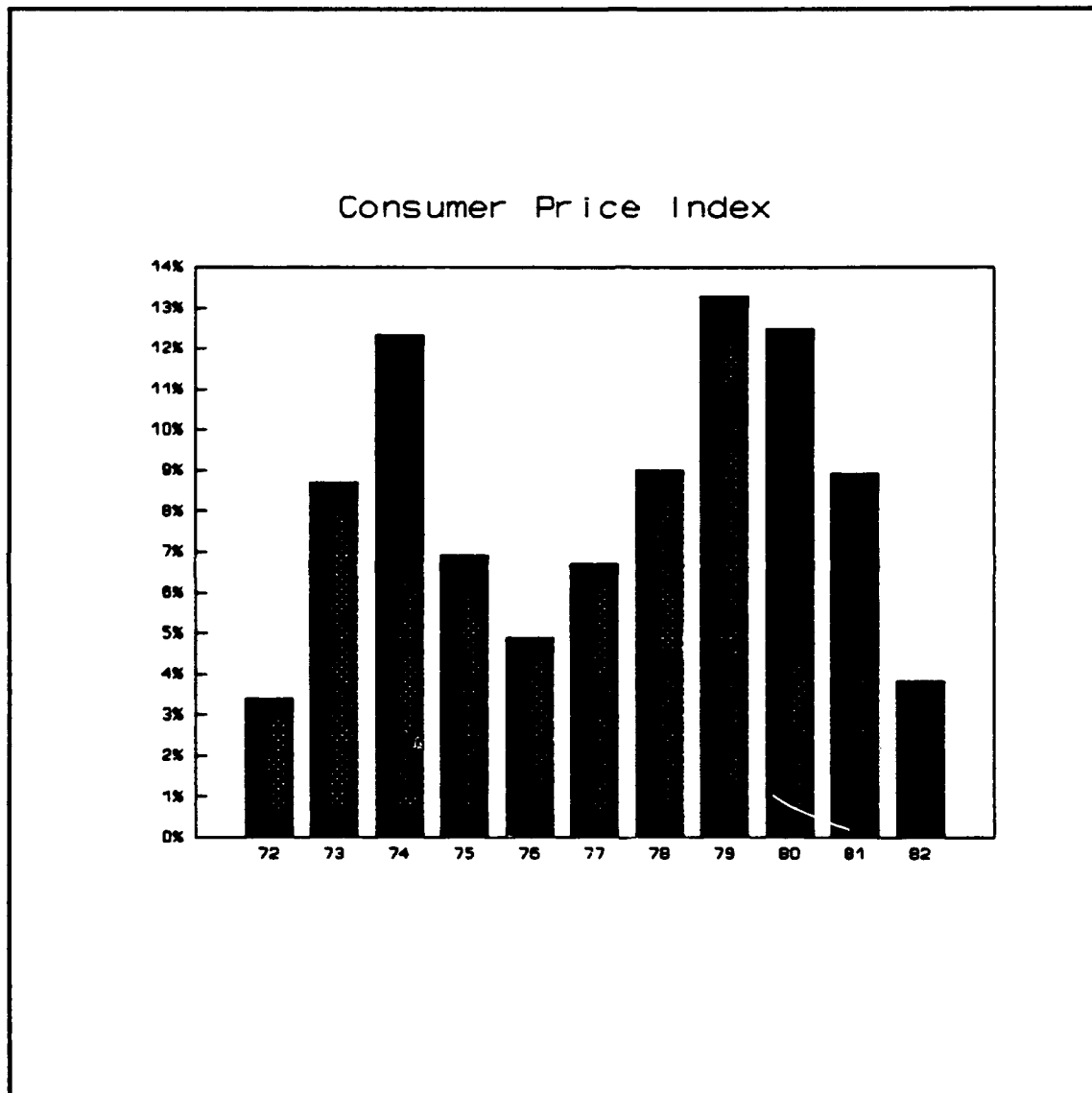


Figure 39. Post-Vietnam Period Inflation

(Source: Historical Tables, Budgets of the United States.)

TABLE 23. FORD DEFENSE BUDGET REQUESTS

| nominal \$, billions | | | | | | | | |
|----------------------------|---------|-------|-------|--------|-------|--------|-------|-------|
| yr | actuals | % chg | FY76 | % chg | FY77 | % chg | FY78 | % chg |
| 75 | \$85 | | | | | | | |
| 76 | \$88 | 3.5% | \$94 | -6.4% | | | | |
| 77 | \$96 | 8.8% | \$106 | -9.3% | \$115 | -16.7% | | |
| 78 | \$103 | 7.6% | \$120 | -14.5% | \$122 | -15.8% | \$112 | -8.3% |
| 79 | \$115 | 11.7% | \$132 | -12.5% | \$132 | -12.8% | \$124 | -7.1% |
| 80 | \$133 | 15.5% | \$141 | -6.1% | \$142 | -6.2% | \$136 | -2.6% |
| 81 | \$156 | 17.5% | | | \$152 | 3.0% | \$148 | 5.3% |
| 82 | \$183 | 17.2% | | | | | \$159 | 15.0% |
| constant 1982 \$, billions | | | | | | | | |
| yr | actuals | % chg | FY76 | % chg | FY77 | % chg | FY78 | % chg |
| 75 | \$150 | | | | | | | |
| 76 | \$144 | -3.7% | \$154 | -6.4% | | | | |
| 77 | \$152 | 5.3% | \$168 | -9.3% | \$182 | -16.7% | | |
| 78 | \$146 | -3.6% | \$171 | -14.5% | \$174 | -15.8% | \$160 | -8.3% |
| 79 | \$151 | 3.0% | \$172 | -12.5% | \$173 | -12.8% | \$162 | -7.1% |
| 80 | \$157 | 4.2% | \$167 | -6.1% | \$168 | -6.2% | \$161 | -2.6% |
| 81 | \$167 | 6.4% | | | \$162 | 3.0% | \$159 | 5.3% |
| 82 | \$183 | 9.4% | | | | | \$159 | 15.0% |

(Source: Budget of the United States, FY 1976--1978.)

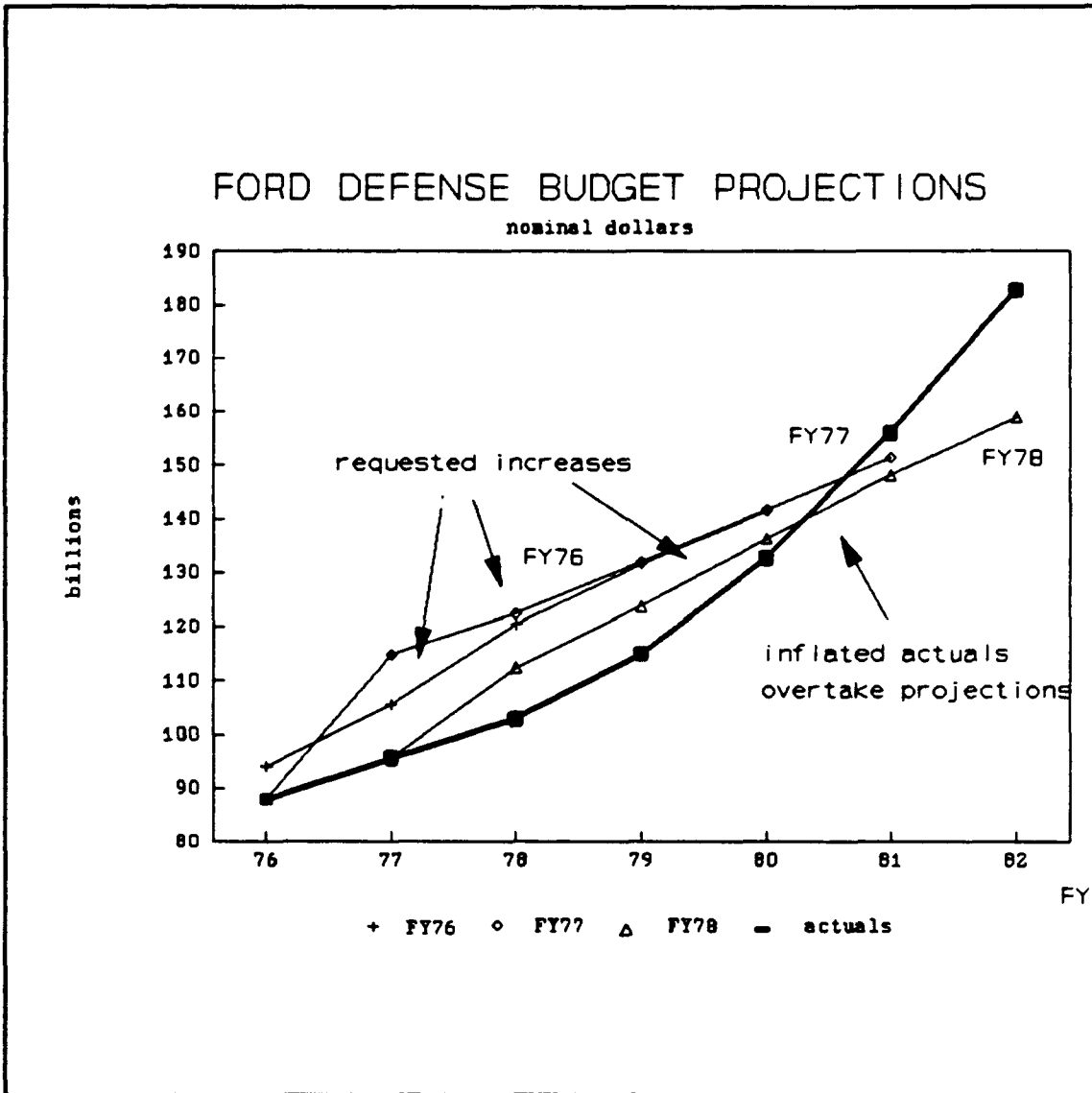


Figure 40. Ford Defense Requests

(Source: Budget of the United States, FY 1976--1978.)

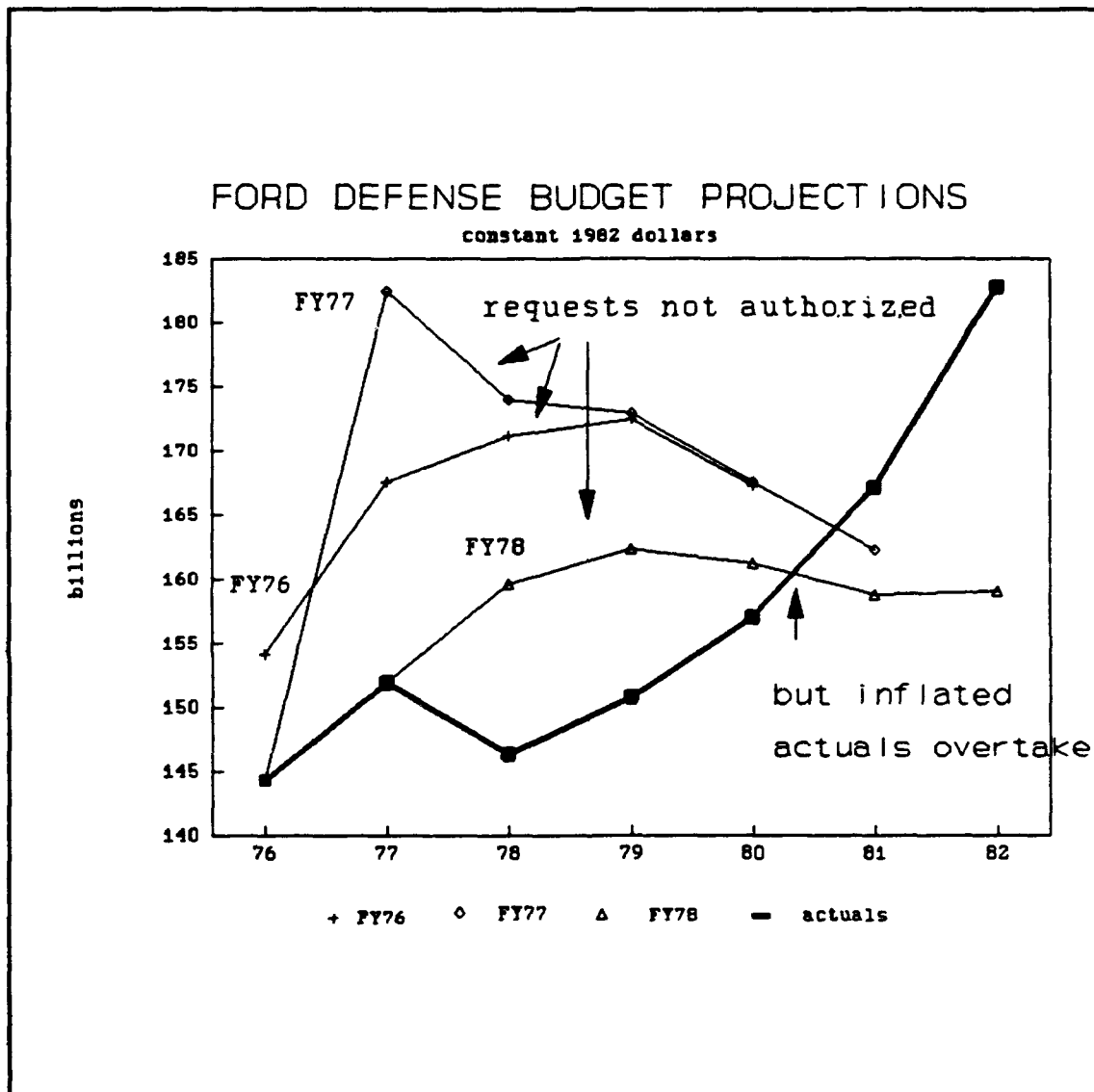


Figure 41. Ford Defense Requests

(Source: Budget of the United States, FY 1976--1978.)

H. FY1979, CARTER

National defense was down to 24 percent of federal spending by 1979. Despite an attempt to "zero-base" the federal budget, overall spending rose to half a trillion dollars under President Carter while defense declined. Appealing to both views on defense budgets, he defined his approach as both a cut and an increase: a three percent real growth, but eight percent below previous projections.

...I am restraining defense expenditures by introducing important efficiencies and by placing careful priorities upon our defense needs (Budget, FY1979, p. 5).

...[to] maintain the current basic force structure and increase real spending (Budget, FY1979, p. 66).

Despite the President's intentions, inflation exceeded forecasts and undercut both his three percent real growth and efficiencies. (Figure 42 and 43)

I. FY1980, CARTER

In his second budget President Carter held national defense to 24 percent of spending, and again planned for three percent real growth in defense, based on requests for consistent six to nine percent nominal increases. Inflation hit 13 percent that year, the highest since 1947, resulting in more real cuts for defense. In contrast to defense budgets, Congress had previously mandated automatic indexing for many non-defense programs and transfer payments, and their inflation adjustments took an ever increasing share of the budget pie.

The Iranian hostage crisis and Soviet invasion of Afghanistan gave President Carter reason to reflect on the trend of defense spending. As had President Truman, his views of national security requirements evolved in office. Faced with a changing view of Soviet intentions and the aggressive defense position taken by the Reagan campaign, he raised defense requests for FY1981.

TABLE 24. CARTER DEFENSE BUDGET REQUESTS

| nominal \$, billions | | | | | | |
|-----------------------|---------|-------|-------|-------|-------|-------|
| yr | actuals | % chg | FY79 | % chg | FY80 | % chg |
| 78 | \$103 | | | | | |
| 79 | \$115 | 11.7% | \$118 | -2.4% | | |
| 80 | \$133 | 15.5% | \$129 | 3.3% | \$126 | 5.6% |
| 81 | \$156 | 17.5% | \$139 | 12.1% | \$137 | 13.9% |
| 82 | \$183 | 17.1% | \$151 | 21.4% | \$148 | 23.3% |
| 83 | \$205 | 12.1% | \$163 | 26.1% | \$158 | 29.8% |
| 84 | \$221 | 7.7% | | | \$169 | 30.8% |
| constant 1982 dollars | | | | | | |
| yr | actuals | % chg | FY79 | % chg | FY80 | % chg |
| 78 | \$146 | | | | | |
| 79 | \$151 | 3.0% | \$154 | -2.4% | | |
| 80 | \$157 | 4.2% | \$152 | 3.3% | \$149 | 5.6% |
| 81 | \$167 | 6.4% | \$149 | 12.1% | \$147 | 13.9% |
| 82 | \$183 | 9.3% | \$151 | 21.4% | \$148 | 23.3% |
| 83 | \$197 | 7.5% | \$156 | 26.1% | \$151 | 29.8% |
| 84 | \$204 | 4.0% | | | \$156 | 30.8% |

(Source: Budget of the United States, FY 1979--1980.)

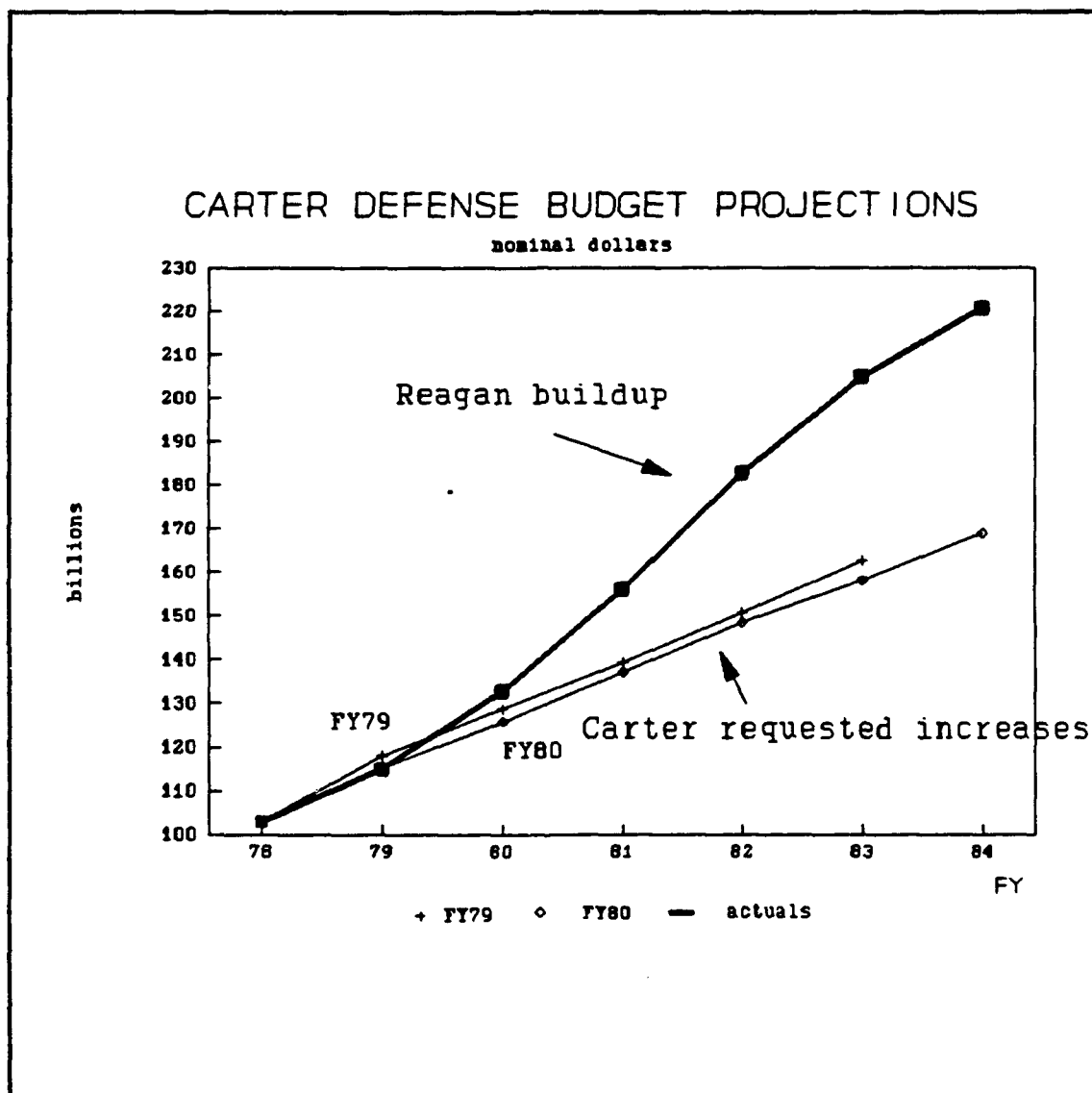


Figure 42. Carter Defense Requests

(Source: Budget of the United States, FY 1979--1980.)

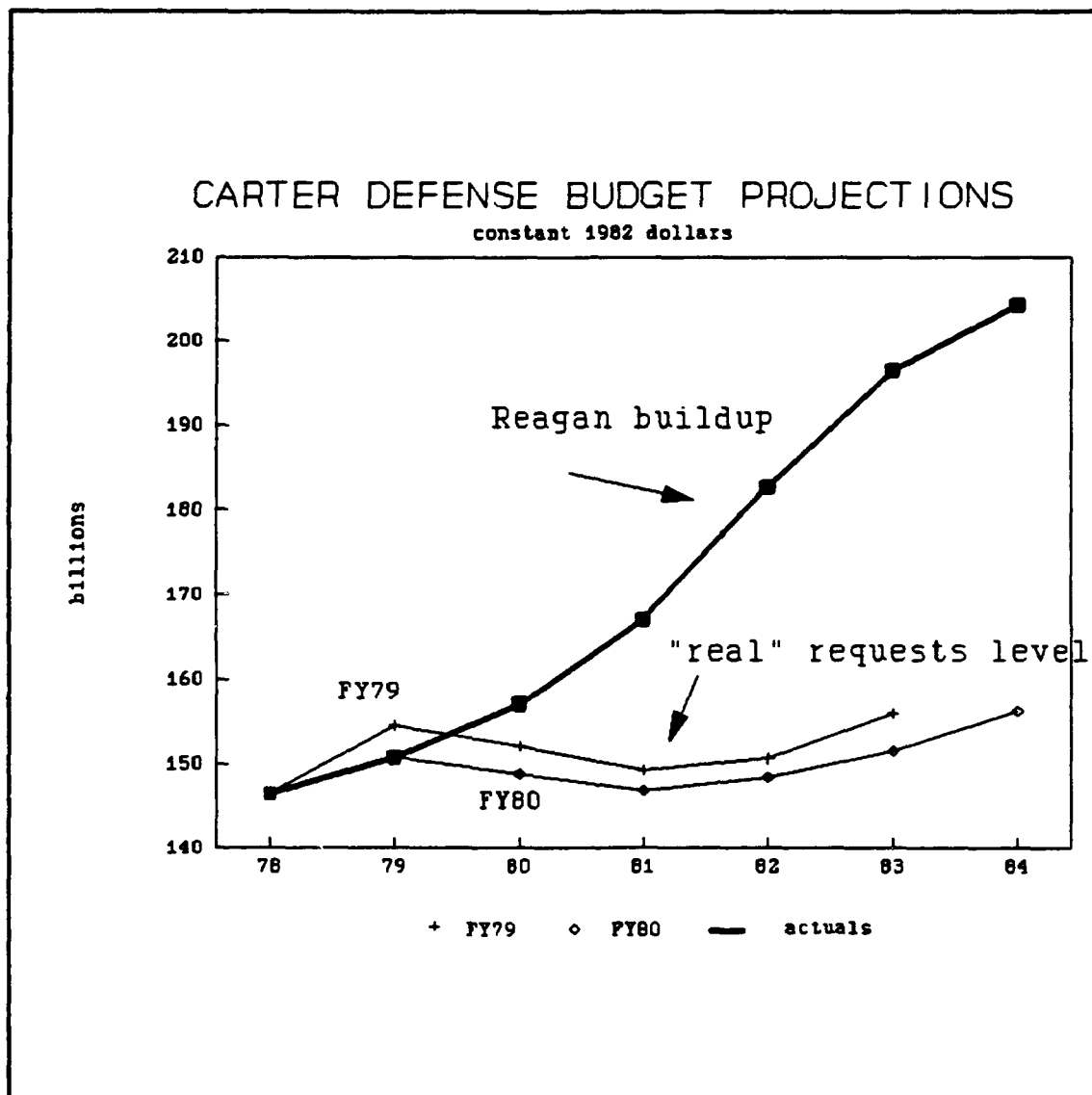


Figure 43. Carter Defense Requests, Adjusted For Inflation

(Source: Budget of the United States, FY 1979--1980.)

J. SCORING THE POST-VIETNAM REDUCTION

The post-Vietnam drawdown began while troops were still engaged in combat. After the fighting had ended, Congress cut and restricted defense spending, and continued that course through the seventies. The Nixon, Ford and Carter administrations all saw military forces as a card to be played in their strategic arms control negotiations. They kept manning higher than required for any crisis short of World War III, and higher than they were politically able to get Congress to sustain. It was acknowledged that the all volunteer force would cost more than a conscript force, but Congress did not continue the funding increases after 1973. They cut severely from the Nixon and Ford requests. President Carter's defense budgets were increased by Congress, but those increases were decimated by inflation. Congressman Dellums has pointed to this insufficient funding relative to troop levels, and cuts made from a depleted readiness condition following the Vietnam effort, as the cause of the hollow force.

... the attempt to retain more force structure than can be supported with available resources is a sure recipe for 'hollow forces'....(Dellums, July 1993, p. 1).

Casual comparison of the reduction percentages in manning, ships and funding for the period as employed in Chapters III., IV., and V. does not support the point. Funding reductions, adjusted for inflation, were not greater than cuts in force structure, as shown in Figures 44 through 48.

The key to the hollow force is found in the reduction of funding relative to a higher, theoretical baseline required to support the AVF. Figure 49 compares Navy manning to spending, along with the ratio between them. It shows that funding was increased as the forces were reduced, until 1973. Then funding, measured in constant dollars, decreased at a faster rate than force levels, as highlighted by the ratio curve. When the measures of drawdown are made against AVF costs, and not the lower cost of the conscripted Vietnam troops, Congressman Dellums' point is validated: the hollow force did result from under-funding force levels.

Chapter VII. will further develop this line of reasoning in support of the earlier assertion in Chapter II that the real purpose of the Reagan buildup in funding was to sustain the quality of the forces, not dramatically increase their size. Final comparison will be made among the four periods' reductions, and the limits on cross period comparisons are summarized and those factors which are common to all periods are identified.

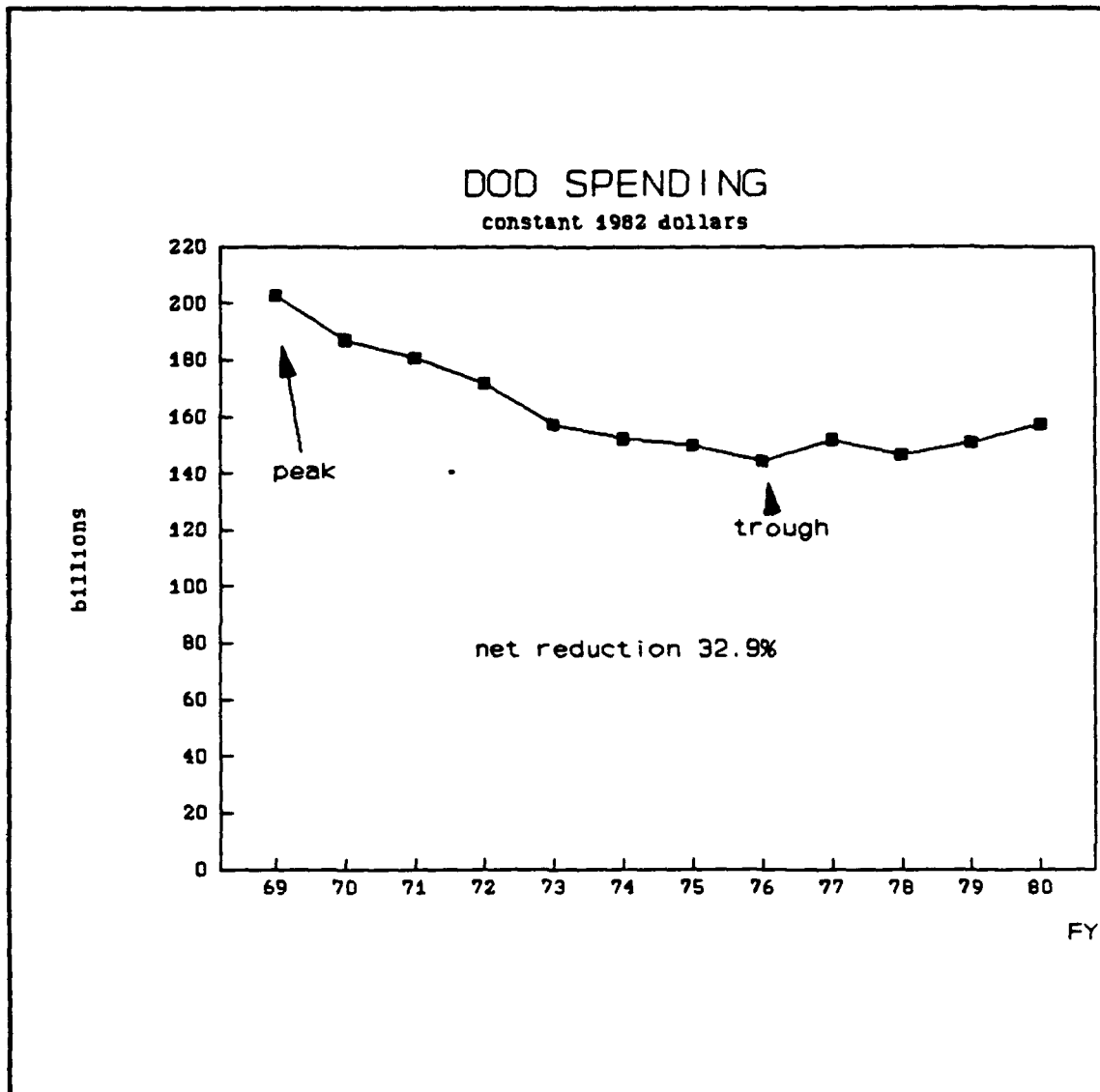


Figure 44. Post-Vietnam Defense Spending

(Source: Budget of the United States, FY 1968--1980.)

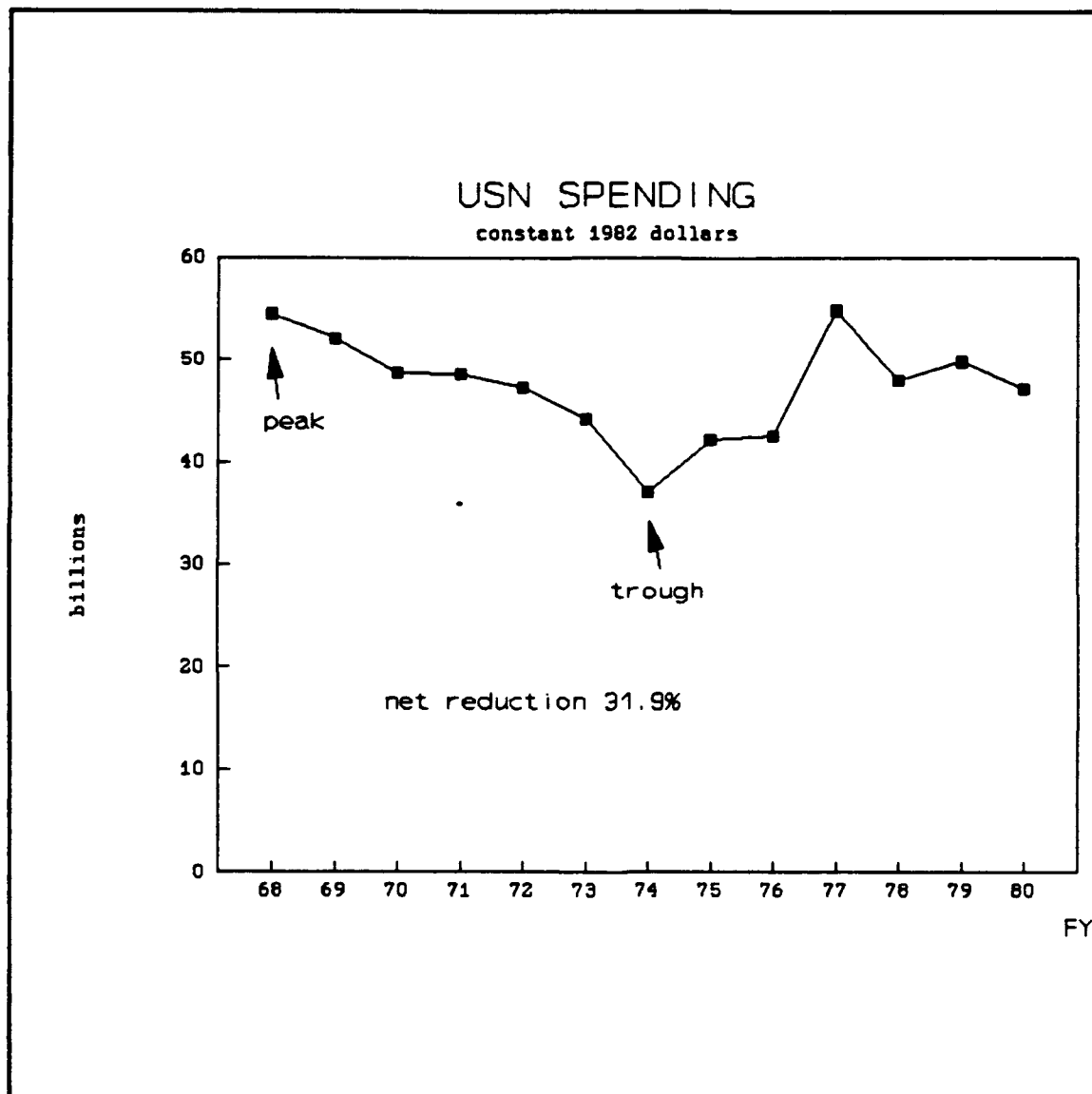


Figure 45. Post-Vietnam Defense Spending, Adjusted For Inflation

(Source: Budget of the United States, FY 1968--1980.)

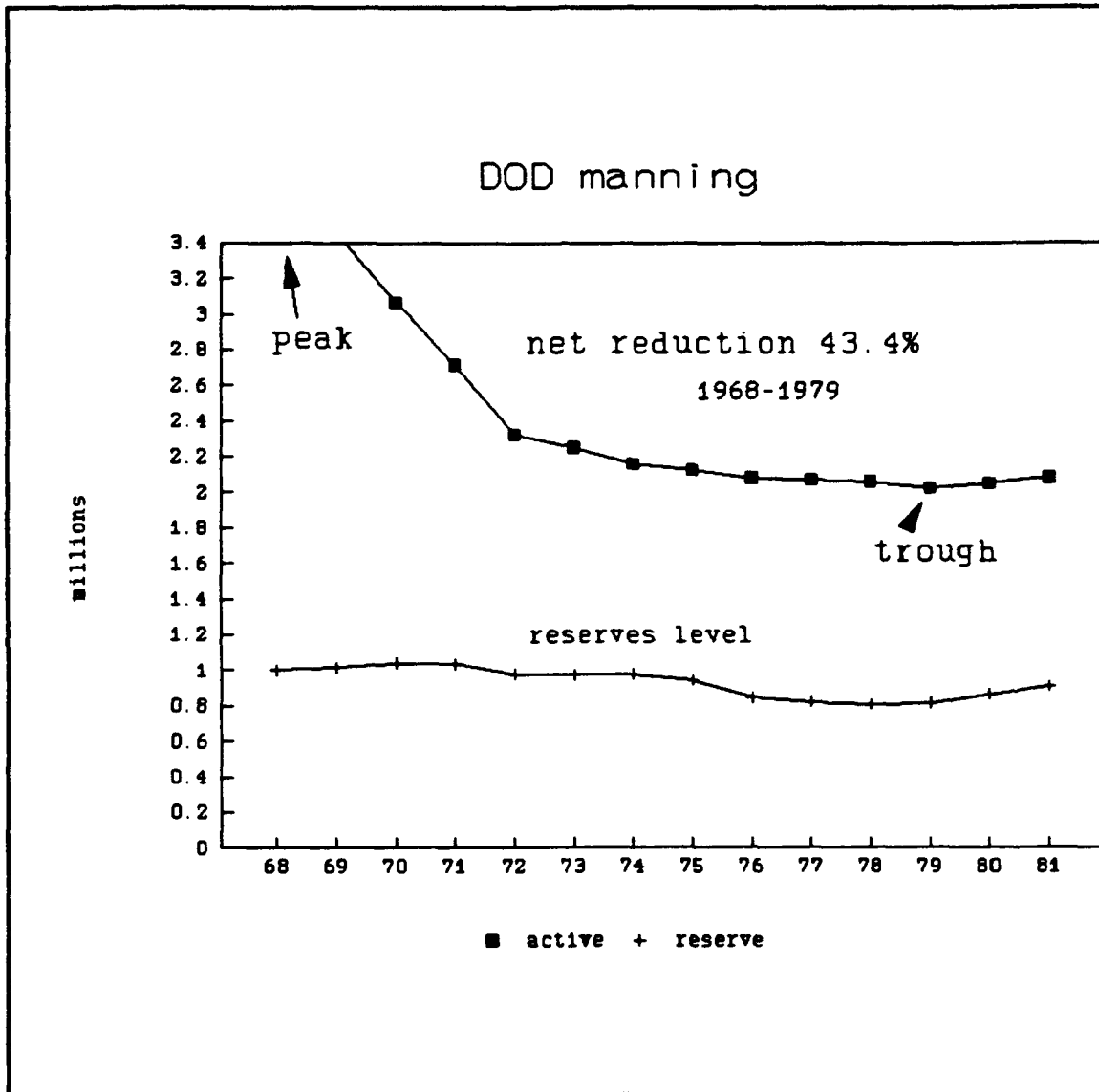


Figure 46. Post-Vietnam DOD Manning

(Source: Budget of the United States, FY 1968--1980.)

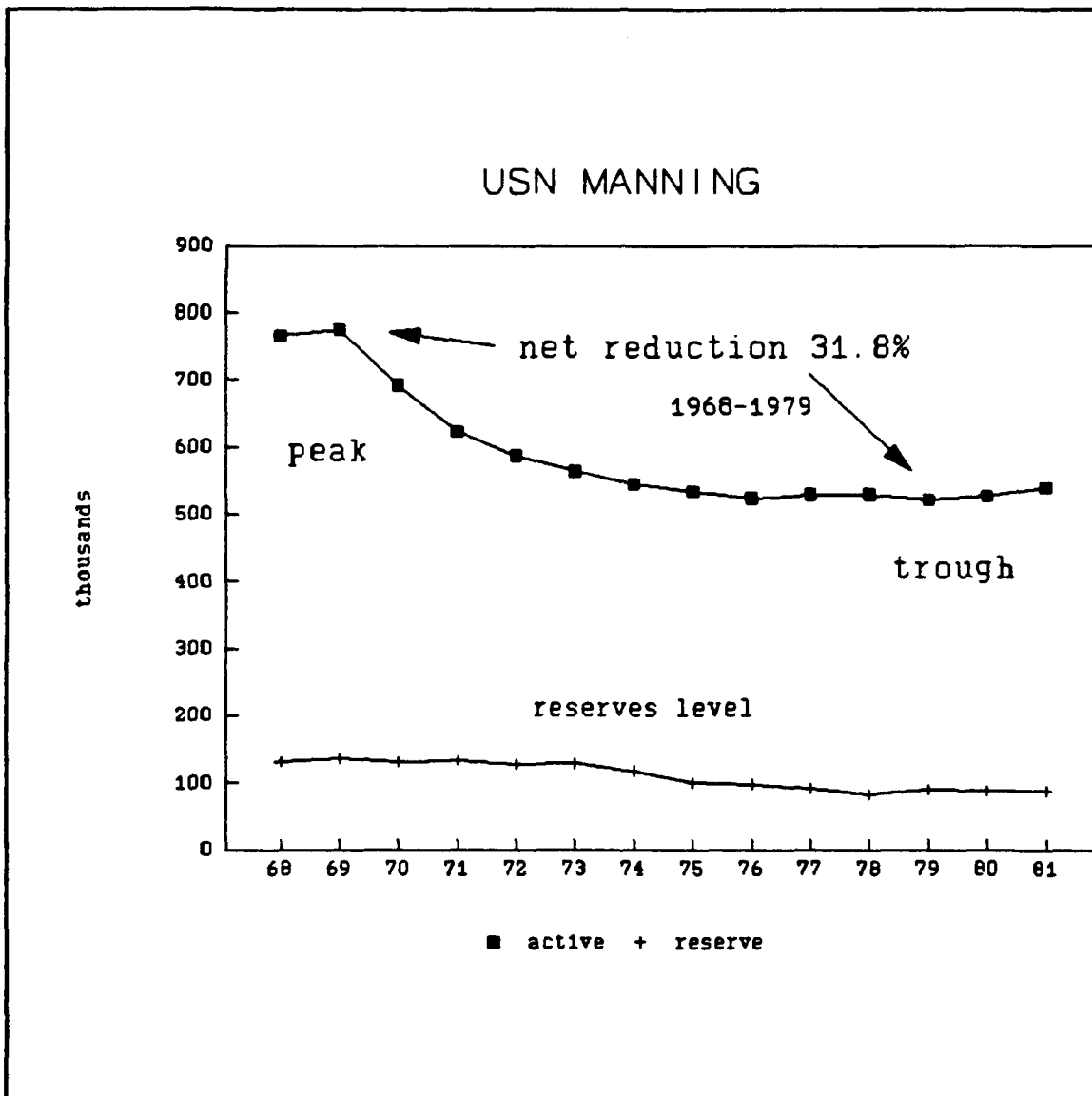


Figure 47. Post-Vietnam Navy Manning

(Source: Budget of the United States, FY 1968--1980.)

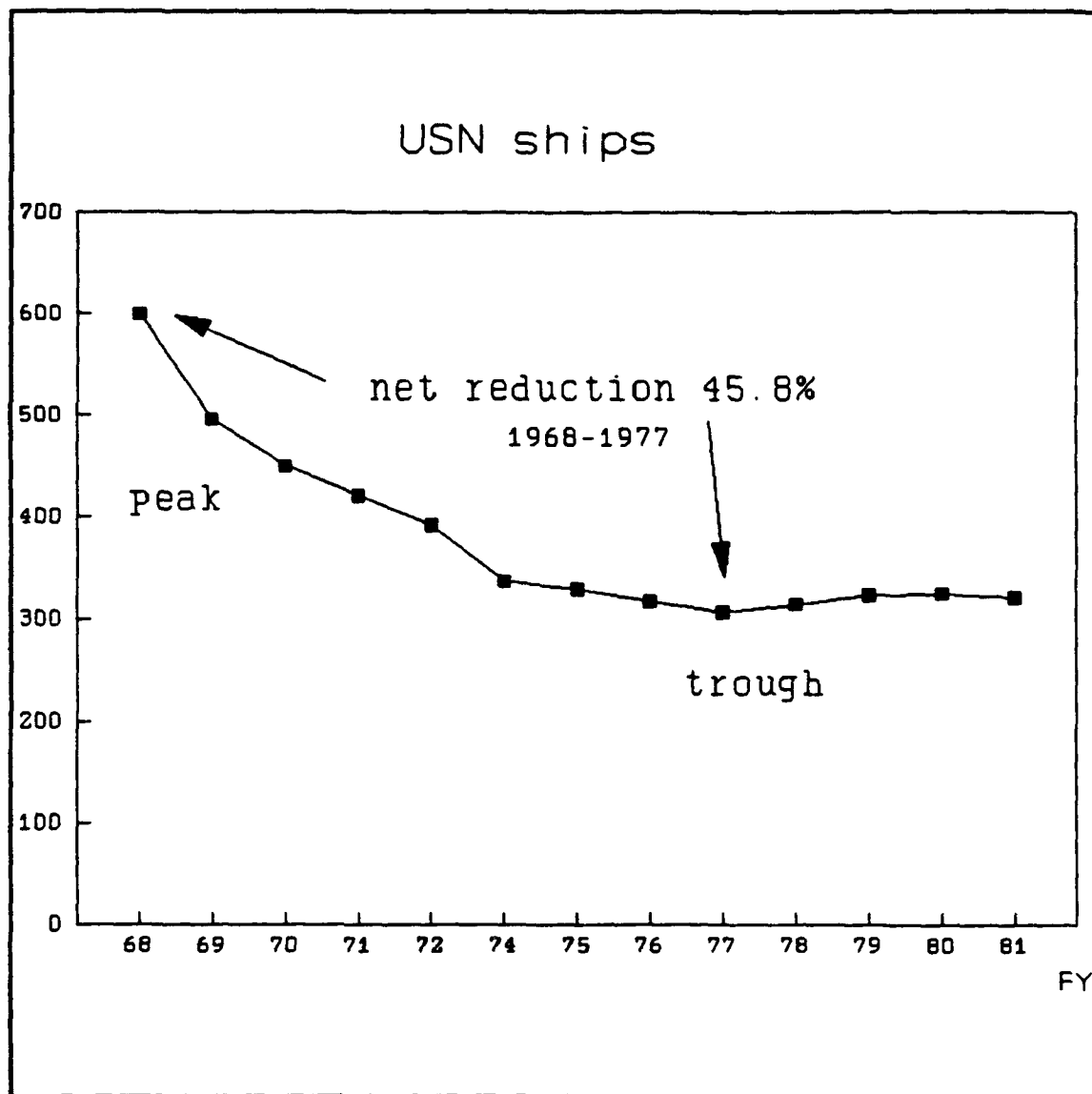


Figure 48. Post-Vietnam Ships

(Source: Jane's Fighting Ships, 1968--1980.)

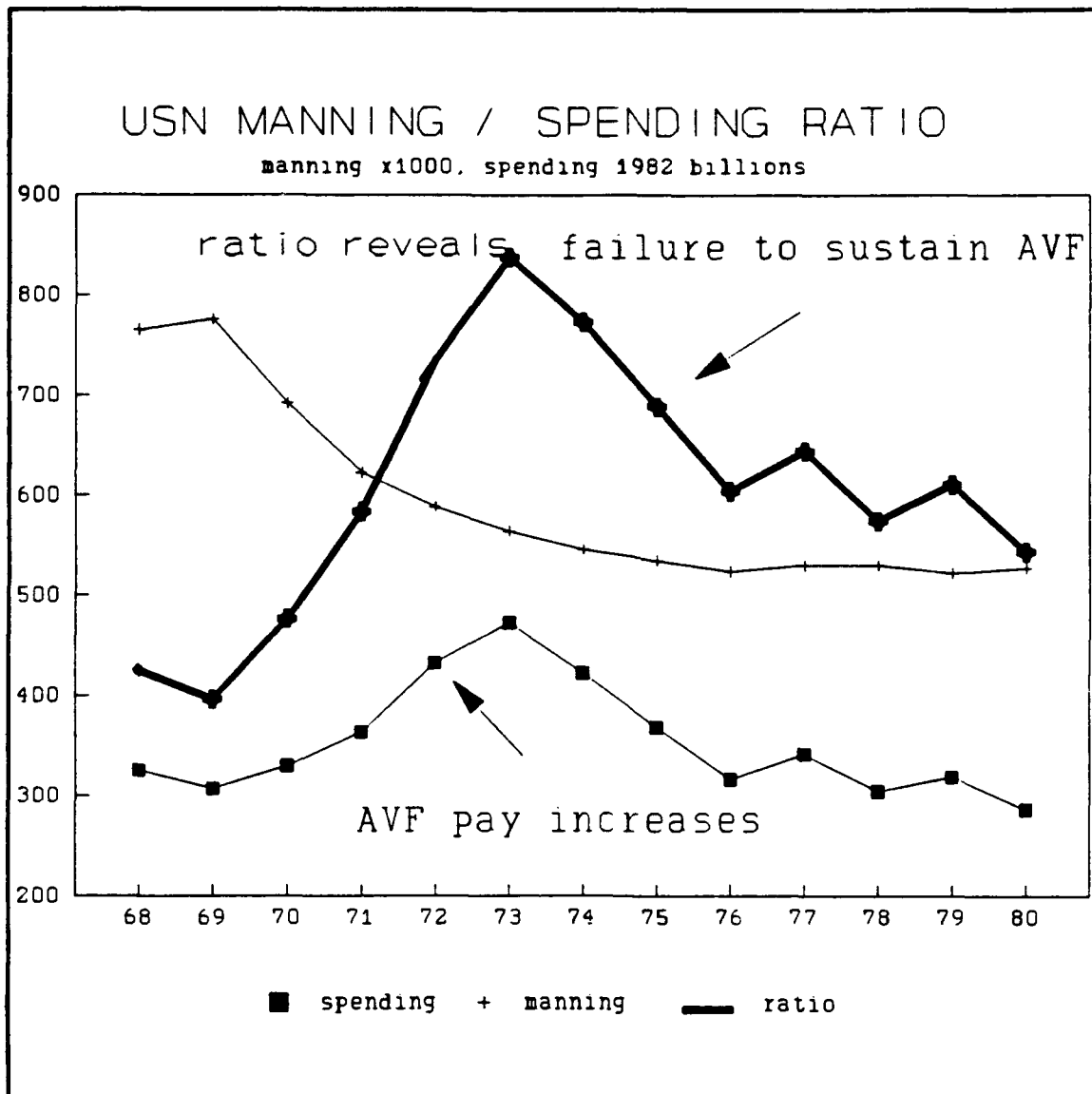


Figure 49. The Source of the Hollow Force

VII. CONCLUSIONS

Chapter I. identified three questions to be addressed in this research.

1. What was the nature and extent of the drawdowns?
2. How were they similar and different?
3. What lessons do they offer for the current drawdown?

This chapter provides analysis and conclusions for those three questions. Specifically, it recaps the previous individual examination of the four drawdown periods and summarizes the essence of their respective natures. It compares them thorough composite measurements to identify the important contrasts and similarities among them. Comparisons are also made to general fiscal and economic indicators during the reduction periods. The finding that inflation and the under-funding of the all volunteer force were causes of the hollow force forces is restated. The Presidential role in the power equation is revisited, along with a conclusion about their respective performances. The chapter ends by applying these conclusions to the current drawdown, summarizing conclusions as to the three research questions, and recommending future research.

A. ESSENCE OF REDUCTION

The post-World War II demobilization was rapid, severe, oscillating and short-lived. Initially bi-partisan, it became a political battle when world events changed President Truman's views of defense requirements. The hope of returning to a pre-war defense posture ended, as concerns over those world events caused the reversal of the drawdown.

The post-Korea drawdown also began rapidly, but under President Eisenhower was tightly controlled, and coupled to cohesive economic and strategic strategies. Those policies were sustained over his two terms, despite world crises. Essentially, this period was neither a drawdown nor buildup, but rather a smooth transition from war-time mobilization to sustained Cold War readiness.

The post-Vietnam demobilization was driven by reaction to the failures of that conflict, and political turmoil. It extended over three administrations, and was conducted by Congress over Presidential objections. The nature of this drawdown is complicated by the simultaneous switch to the all volunteer force, and the high inflation of the period. President Carter's efforts to end the drawdown were undercut by those factors.

The post-Cold War drawdown has been pushed by reduced strategic demands and pulled by increased economic demands. Ironically, Congress forced reduction on President Bush, yet may now restrain President Clinton from further reductions. The rate

and degree of reduction have been moderate, but have already continued longer than previous drawdowns, and will probably exceed them in the ultimate floor attained.

B. COMPOSITE MEASUREMENTS

Using DOD active duty manning at fiscal year's end, Figure 50 provides the composite measure for force levels. The measurements begin at each conflict's peak year, and end at the first up-turn in manning levels. They reveal that, compared to the prior three demobilizations, the current evolution began from a lower level, is more gradual, and will be of longer duration. If stated intentions play out and present trends continue, the post-Cold War military will be smaller in people than any since before World War II. It remains to be seen whether it will level out just below the post-war floor of 1.4 million personnel, or continue to an even lower level commensurate with the "View ONE" concept which predominated before the 1940's. Figure 51 uses defense outlays, presented in constant 1982 dollars, to compare the four reduction periods. Here, the current period begins from a level of funding higher than either Korea or Vietnam. As discussed in Chapter VI, this level is notably higher in per-force level unit-ratios, and can be attributed to the higher cost of the AVF, and "techflation" creep in modern weapon system procurement cost. Beyond those factors, the current reduction is at a faster annual rate and will end below any previous period, except those immediately after World War II.

rate and will end below any previous period, except those immediately after World War II.

Figure 52 portrays an alternative illustration of peak-to-trough defense spending during the drawdowns. Using the official FY1994 budget projections from the Clinton administration, this illustration supports Congressman Dellums' point that there are less severe and dramatic reductions ongoing in defense budgets than previous drawdowns (Dellums, 1993, p. 1). However, analysis of these kinds of projections should consider the increased demands for the AVF not present in the three prior earlier periods, as discussed in Chapter VI and preceding paragraph.

Combining the results of these measurements finds that the current drawdown is more pronounced than previous ones in funding and less pronounced in force levels. That is the prescription for hollow forces previously discussed, and a cause for concern.

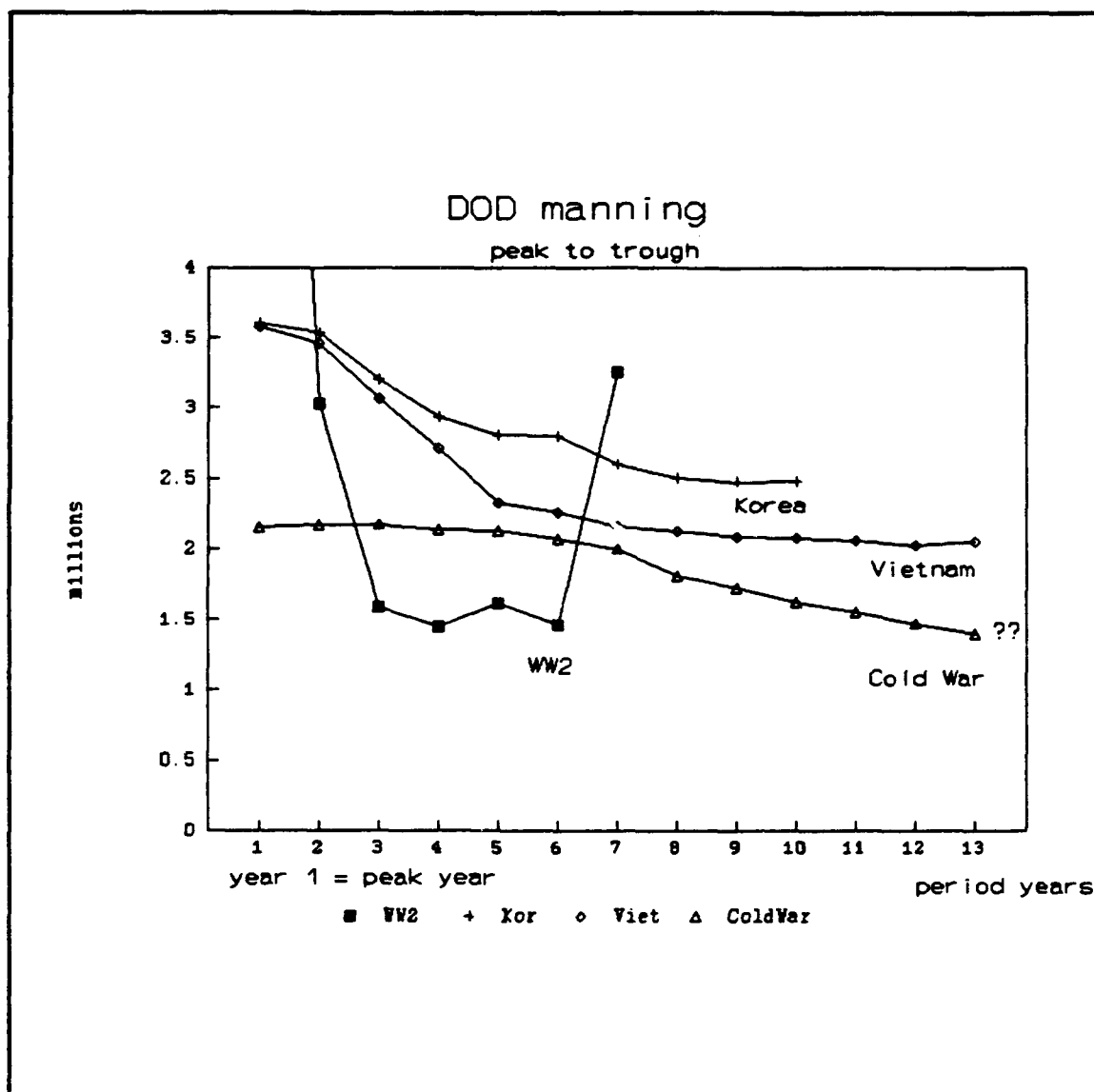


Figure 50. Comparison of Drawdowns in Manning

(Source: Budgets of the United States, FY 1950--1994.)

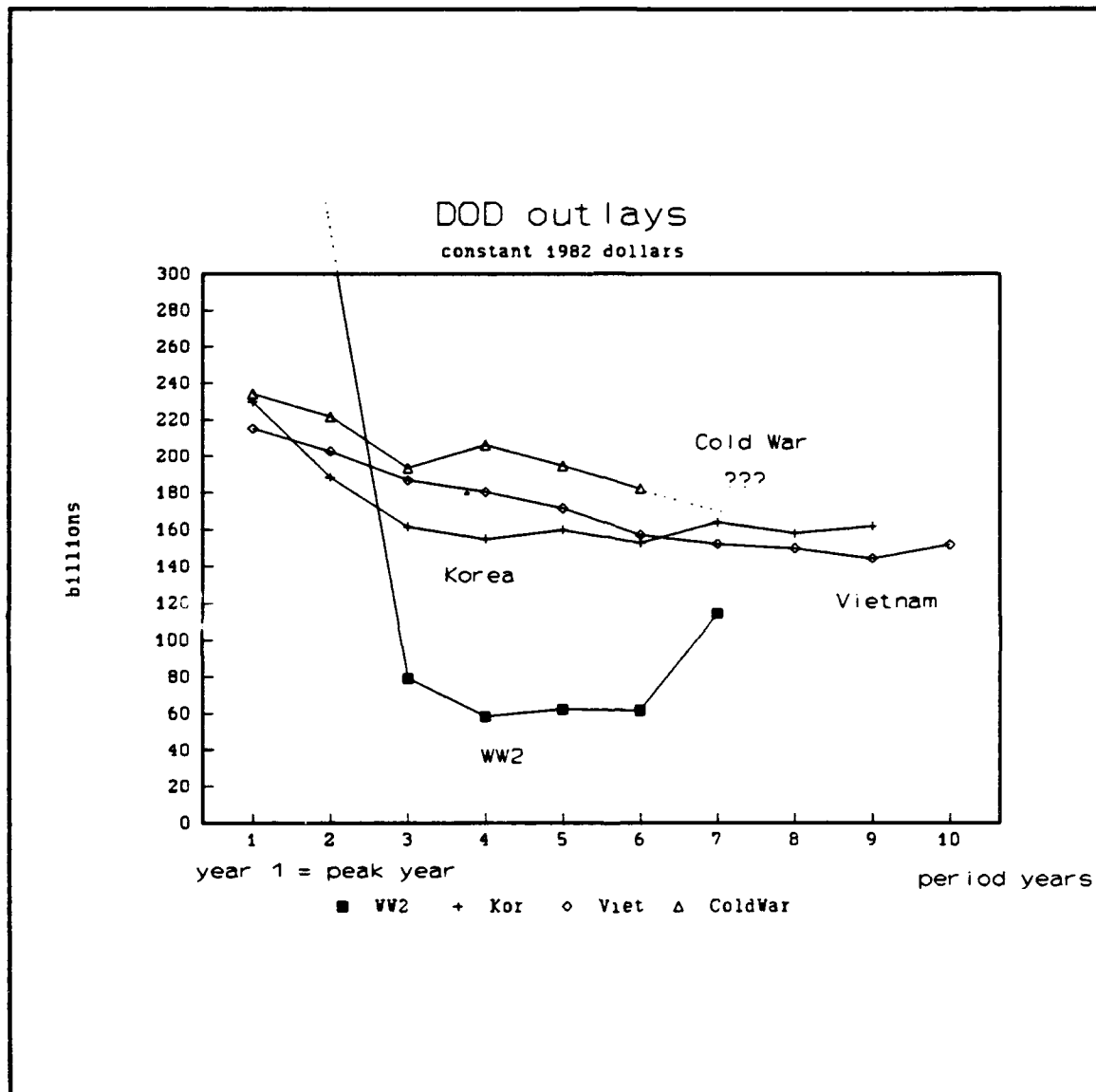


Figure 51. Post-Conflict Defense Spending Comparison

(Source: Budgets of the United States, FY 1950--1994.)

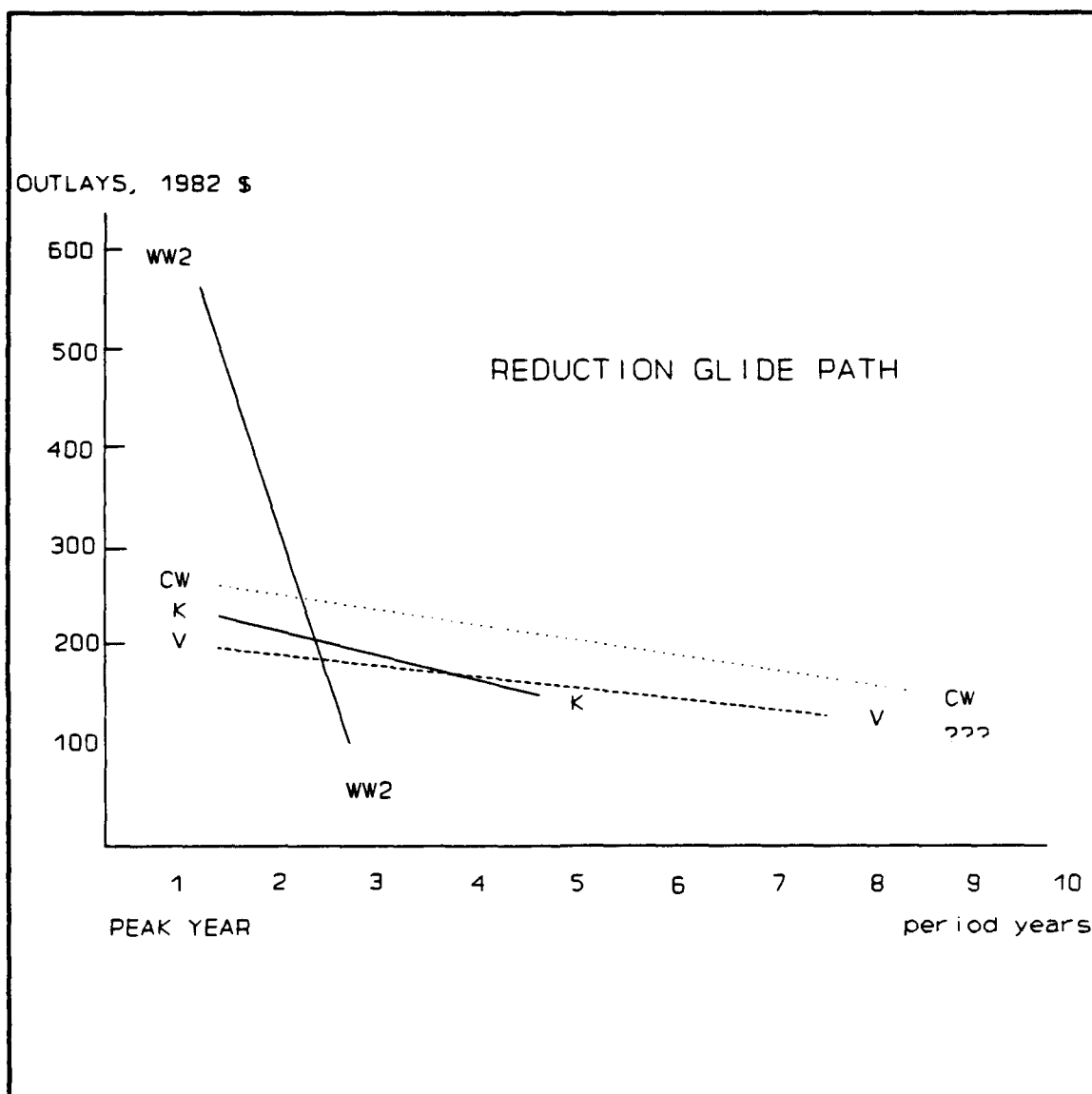


Figure 52. Post Conflict Defense Spending, Peak to Trough

(Source: Budgets of the United States, FY 1950--1994.)

C. ECONOMIC INDICATORS

As noted in Chapter III.'s repetition of Senator Nunn's "blanks" speech, the economic portion of the power equation has driven the post-Cold War drawdown. While some may prefer that defense budgets be policy driven, during post-conflict periods it is economics which matters in budgetary decisions. Figures 53 through 55 examine and illustrate the common economic and fiscal indicators for the four drawdown periods. The periods are defined as beginning in the first year of reduced defense spending, and ending at the first increase, measured in constant 1982 dollars. Because these indicators are affected by far more than just defense spending and employments levels, it is unwise to make attribution to causes without a more in-depth research than this effort. However, it is interesting to consider whether the results support generally held perceptions regarding the effects of reduced military expenditures.

Figure 53 illustrates the cumulative effect on GNP during the drawdowns, showing that it grew less during the more intense reductions, and more during the more gradual drawdowns. Figure 54 indicates that average unemployment was higher during the more recent and gradual reductions. Similarly, Figure 55. also shows higher inflation for those periods. These measurements suggest little in the way of relationships among productivity, employment and inflation during post-conflict defense drawdowns. They do add to the questions about whether such links are established.

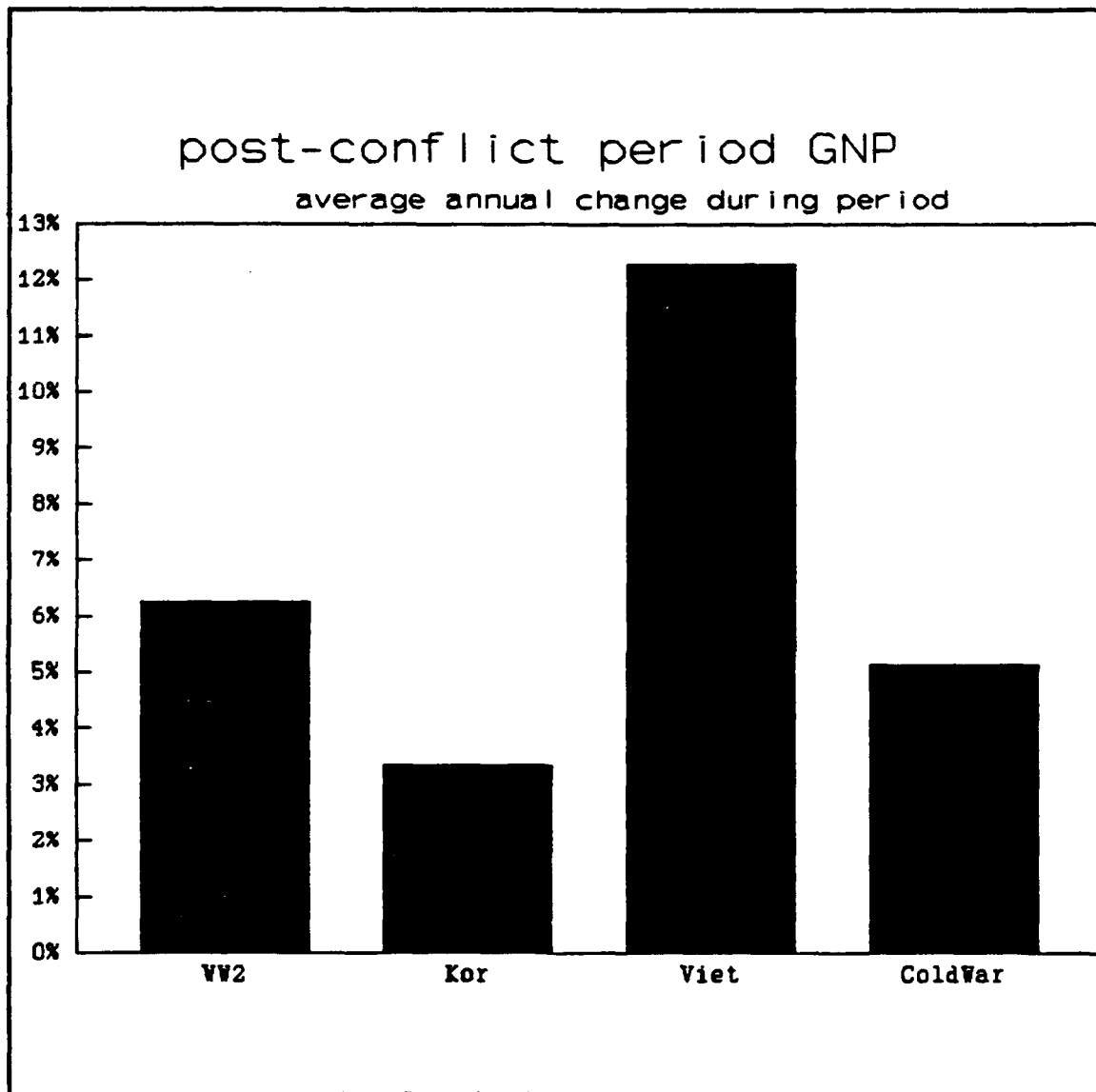


Figure 53. GNP During Defense Drawdowns

(Source: Statistical Abstract of the U.S.)

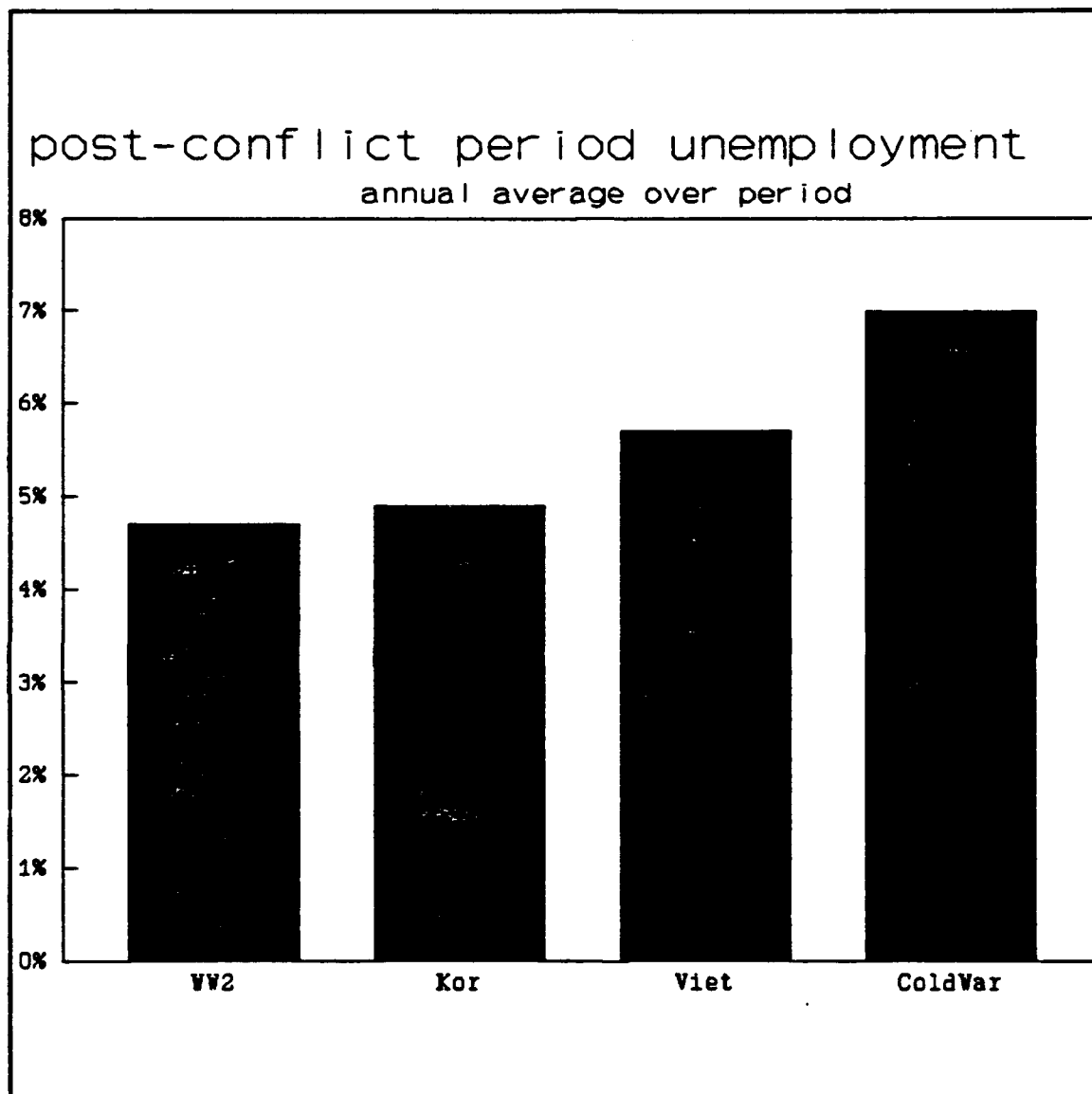


Figure 54. Unemployment During Defense Drawdowns

(Source: Statistical Abstract of the U. S.)

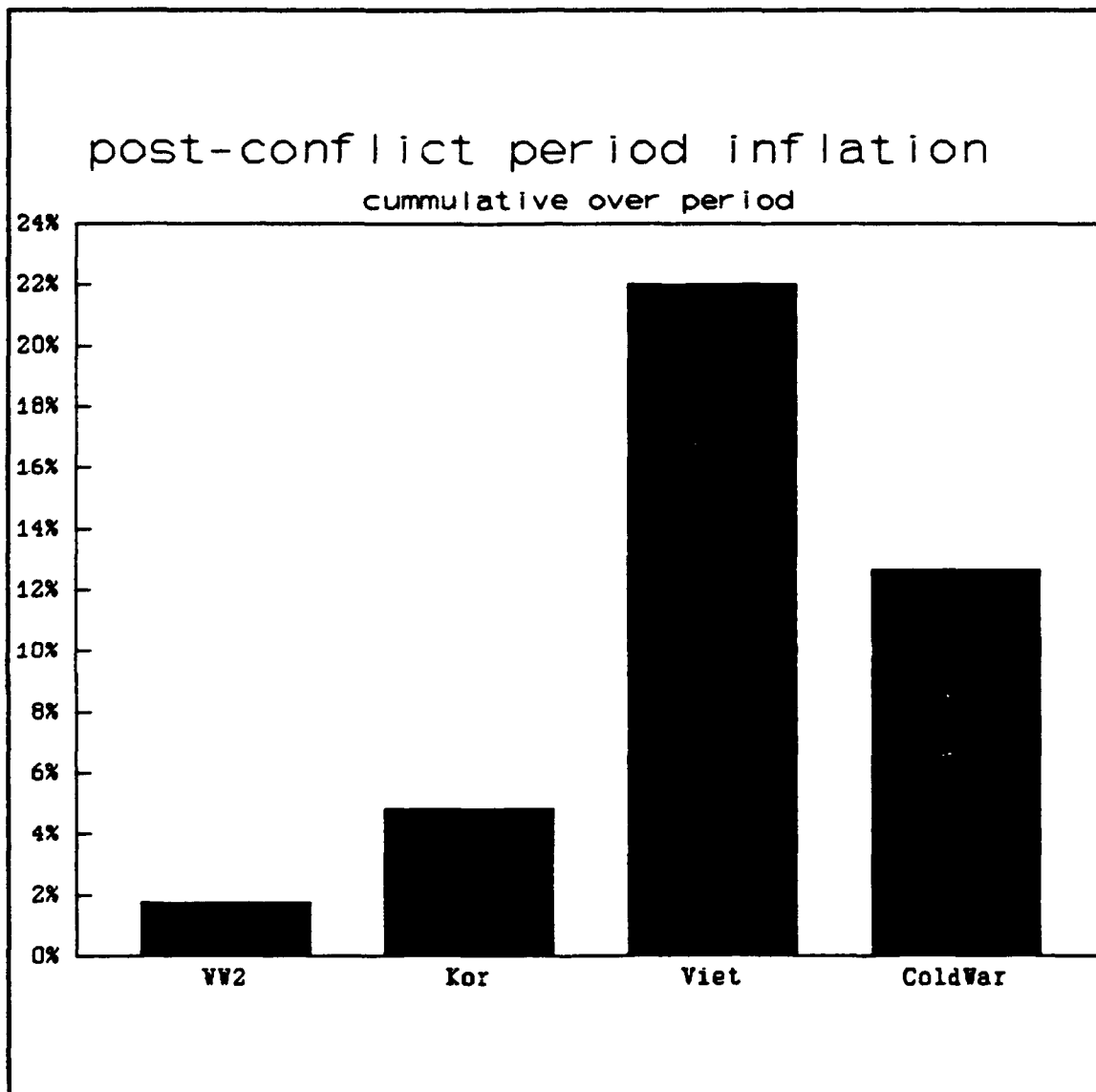


Figure 55. Inflation During Defense Drawdowns

(Source: Statistical Abstract of the U.S.)

D. BUDGETARY EFFECTS

There is much political debate about defense spending; whether it increases deficits, and whether reducing it will provide money for other purposes. The latter case is termed the "peace dividend", and leads to further debate over whether the dividend will be spent on non-defense programs or to balance budgets. Figures 56 through 57 address these issues.

Figure 56 indicates that in earlier drawdowns Truman and Eisenhower cut total spending along with defense. Truman had net surpluses during his defense reductions and Eisenhower had balanced budgets. The only dividend was that the taxpayers were less burdened, as available resources were directed towards balancing the budget. After Vietnam, and to date in the current drawdown, non-defense outlays increased more than defense reductions. The results are shown in Figure 57. Both post-Vietnam and especially the current drawdown have been attended by explosions in debt level. In fact, because defense spending was being financed through debt, there were no resources to be re-directed. These effects are further illustrated as a percentage of GNP in Figure 58. The conclusion is that defense reductions have not resulted in reduced spending. Figure 59 contrasts the reduction in defense budgets against total government spending, and the resulting difference is termed the peace dividend. When so defined, contrary to some rhetoric the dividend appears to be a recent phenomena, and tied to deficit spending.

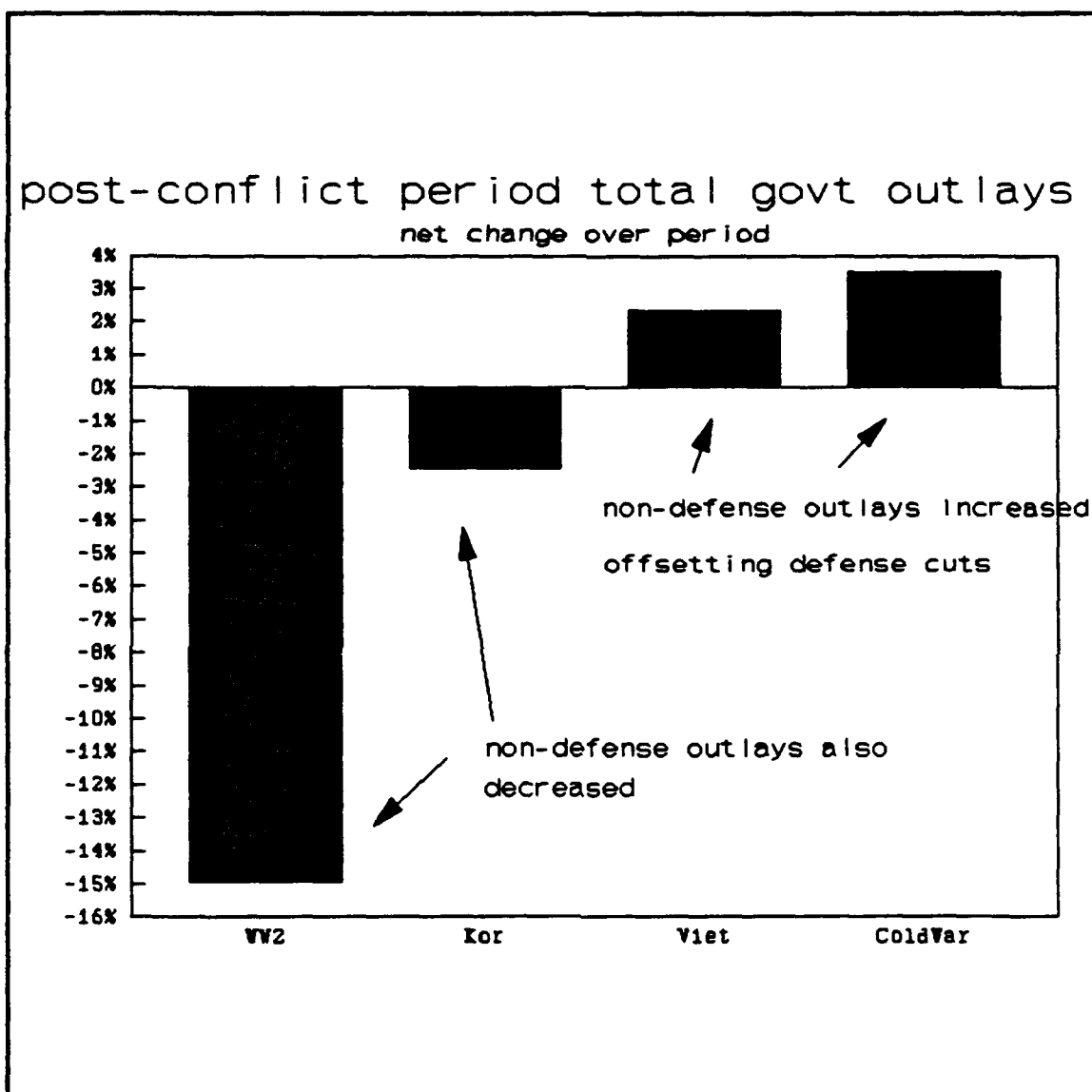


Figure 56. Total Government Outlays During Defense Drawdowns

(Source: Historical Tables, Budget of the United States, 1994.)

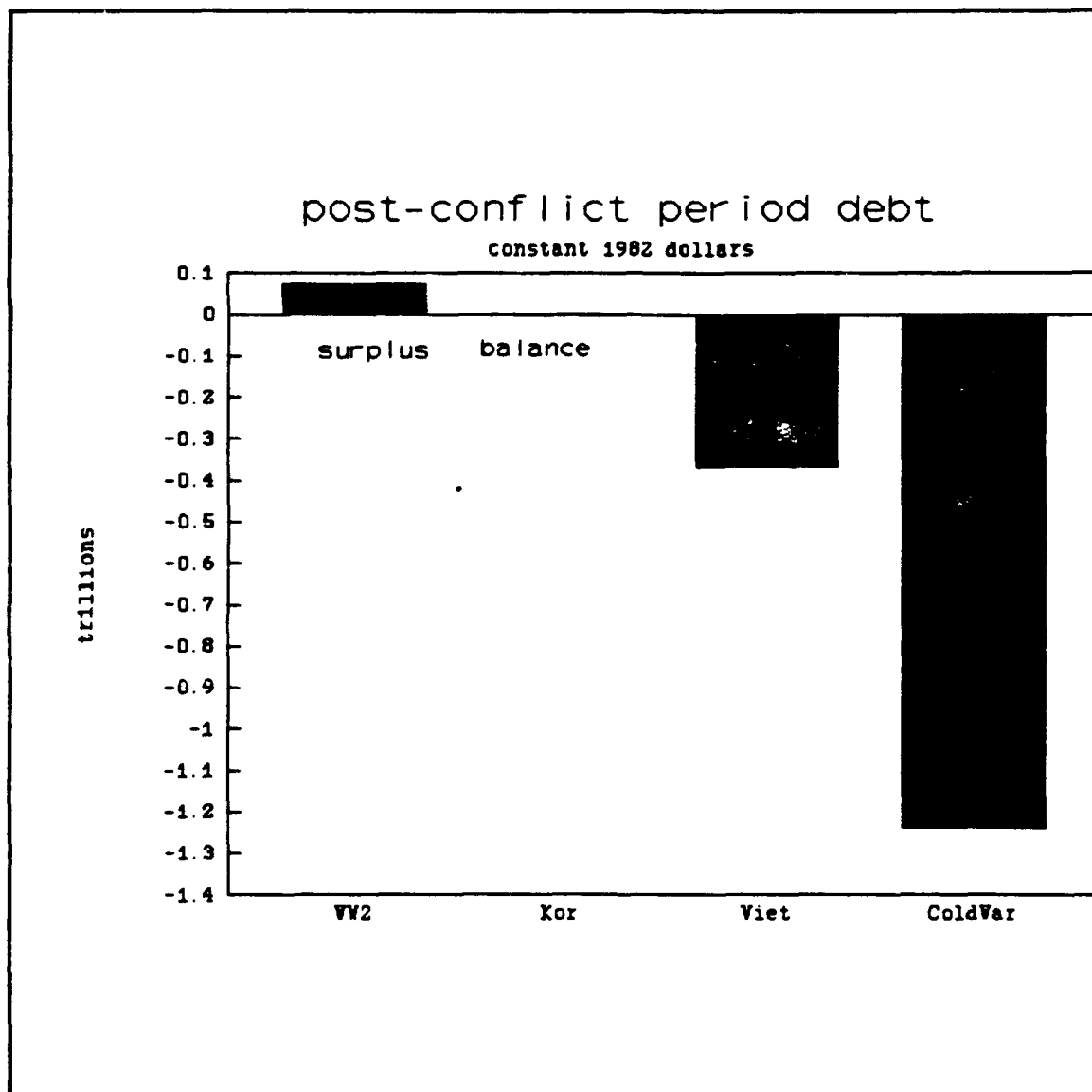


Figure 57. Federal Debt Incurred During Defense Drawdowns

(Source: Historical Tables, Budget of the United States, 1994.)

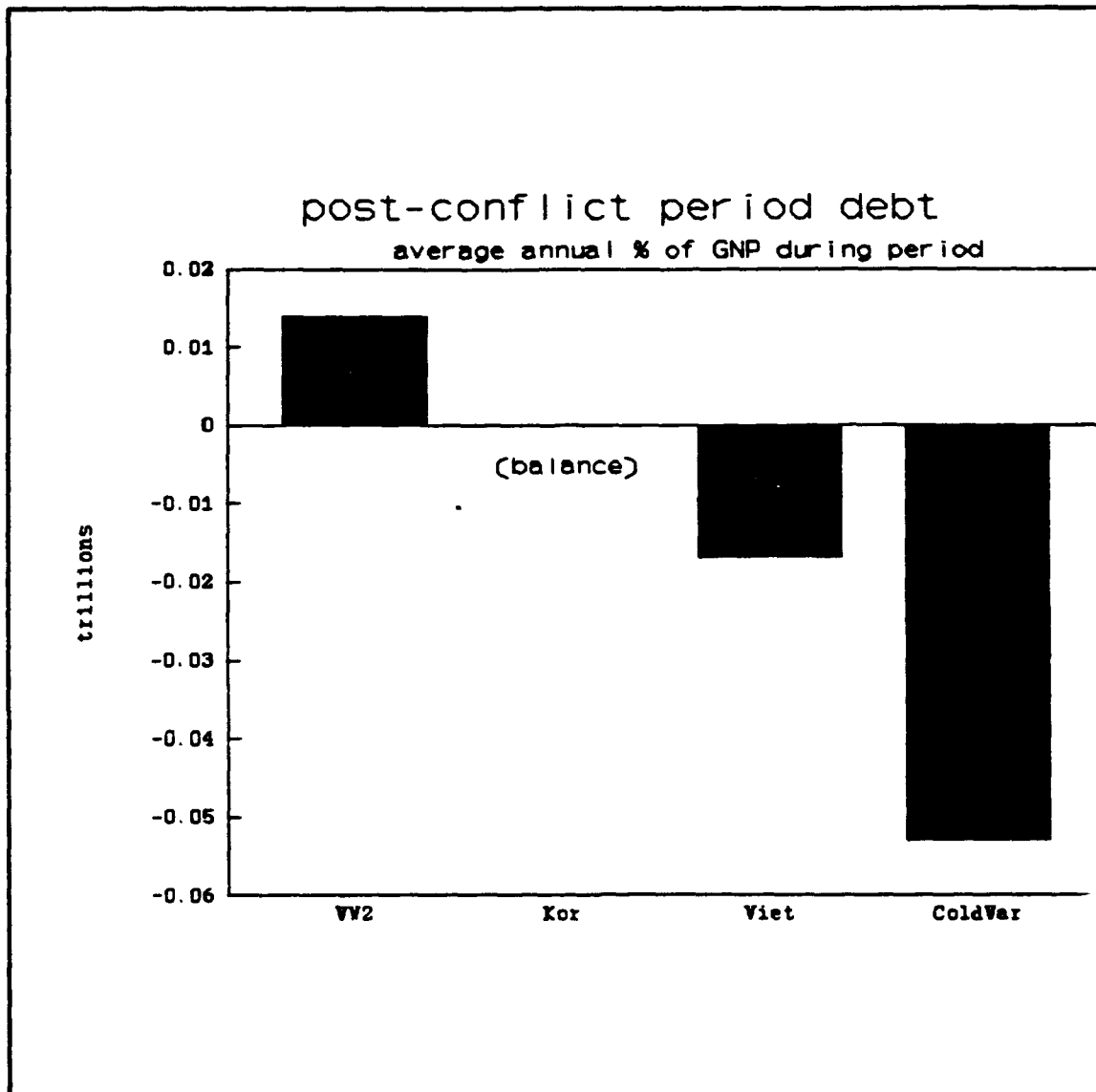


Figure 58. Debt as % of GNP During Defense Drawdowns

(Source: Historical Tables, Budget of the United States, 1994.)

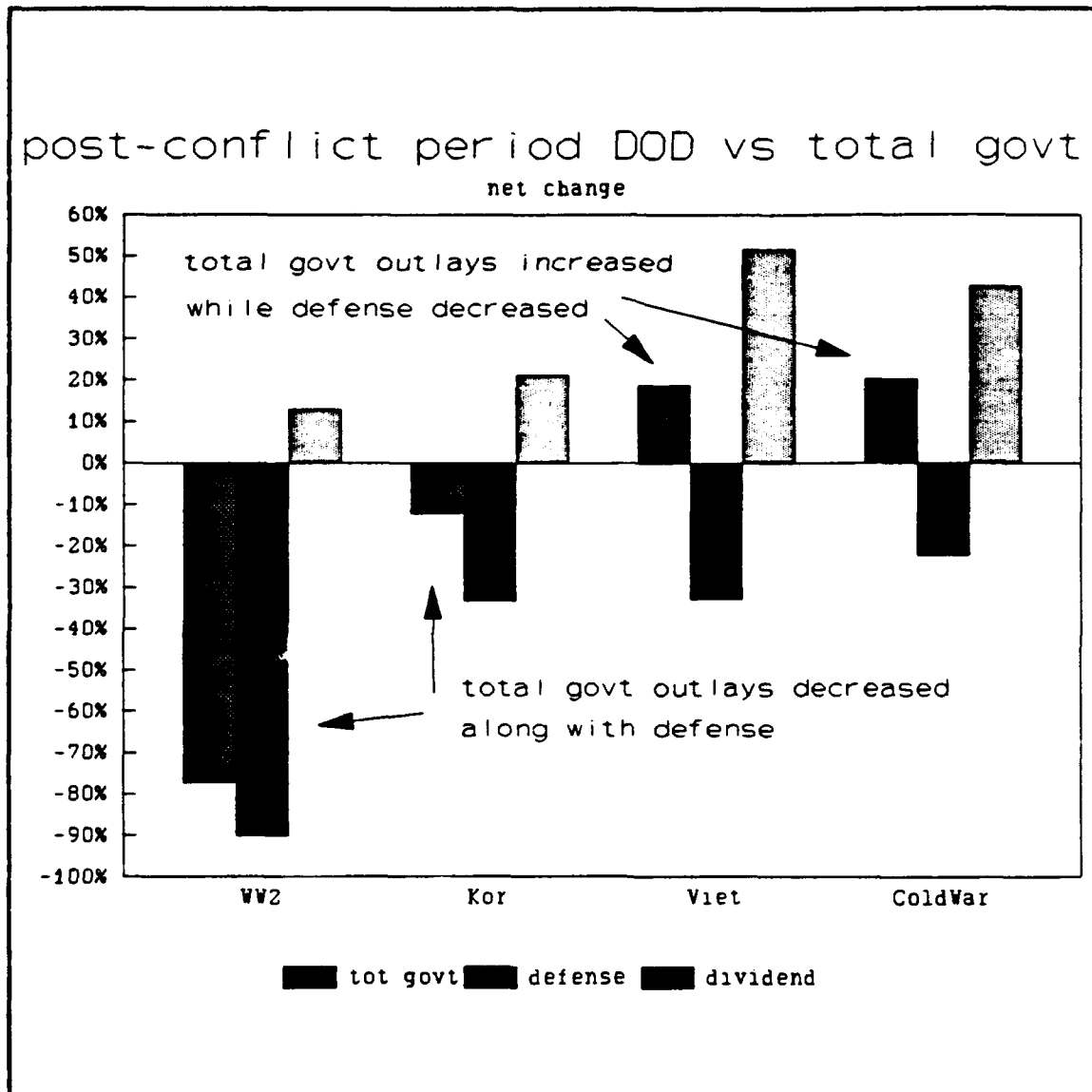


Figure 59. "Peace Dividends", Calculated as Net Difference in Defense and Total Government Outlays

E. CONTRASTS AND SIMILARITIES

It is necessary to acknowledge the importance of the preceding conflict in analysis of the follow-on drawdown; without the conflict there would be no buildup, and no impetus to reduce. Among the factors which clearly affect the post-conflict reduction are: the severity of combat; whether the military effort was popular; whether there was a clear end to hostilities; and whether the end was achieved through victory or stalemate. Each of the four conflicts discussed differed in these regards, and subsequently in the level of mobilization and drawdown.

Chapter VI. argued that the composition of forces, whether career volunteers or a citizen army, shaped the demobilization. This is particularly true in contrasting the current reduction against the three earlier periods. Associated with this factor is the rate of reduction, rapid after World War II and Korea, and gradual after Vietnam and now. The contrast among the periods is greatest in the rate of drawdown. Where the earlier periods saw near total accomplishment of their troop reductions in two years, Vietnam was unique in its demobilization, commencing during the height of combat, and extending over six years. The current reduction in personnel began in 1988 and is scheduled to continue at least ten years, through 1997.

The scale of the reductions has been closer, discounting the great scale of World War II. From peak height to the ultimate floor has varied only modestly for funding in constant dollars,

people and combatant ships. This is not necessarily true of the intended floor, which was often lower in Congress. The decline towards that floor has ended under differing circumstances. The post-World War II drawdown was ended in reaction to Soviet aggression. The post-Korean drawdown period, initially rapid, was then more a level plateau than reduction, and it continued until the Kennedy administration took a more aggressive stance towards the Communists. After Vietnam there was a strong peace movement and many elements would have taken the cuts towards a lower floor. The actual level resulted from fights between the administrations and Congress, and inflation. The current reduction is more complex in the political sphere. Having forced reduction on a reluctant President Bush, substantially the same legislators may restrain the new administration in their cutting, to avoid the economic pains of cutting defense infrastructure.

Of the similarities among the periods, the most important may be the competitive nature of the process. Participants divide into those who push cuts and those who resist cuts. Congress has generally played the former role, the exception being the heyday of the Cold War in the 1950's, at the height of the "Red Scare." As detailed in Chapter V., after Korea the roles reversed and the President fought to keep defense budgets down. It is interesting that Eisenhower, playing the restrainer, was the sole President during drawdown periods to generally accomplish his budgetary goals, while President's Truman, Nixon, Ford, Carter and Bush had to compromise with Congress. The

definition of success in this case is that Presidential defense requests were granted by Congress. Viewed as a struggle between the branches, the score is: Presidents, one win, and Congress three wins. Viewed as a struggle among those who sought reductions and those who resisted reduction, the score is: cutters four wins and no losses.

F. LESSONS FOR TODAY

The current debate centers around the United States having a smaller but higher quality military. All wish to avoid a return to the hollow forces experienced after Vietnam. They were caused by insufficient funding relative to force levels, primarily due to the transition to the AVF and inflation. While the conditions are different -- the AVF is established and inflation is low -- the lessons of that period apply today. Quality will require more, not less, funding per unit of force structure. The costs of the kinds of forces envisioned in Secretary Aspin's plans are high and permanent, and will be driven higher by the competitive requirements of attracting, retaining and training the AVF, and by technology. The old formula of a citizen military, with its low cost during peacetime, and augmentation in response to crisis, does not fit the new strategy. To this end, there is reason for concern in such recent trends towards withholding military pay raises, reduced promotion opportunity, and lower status in a military career.

Presidents are constitutionally and electorally responsible for solving the power equation. The power equation needs one clear, consistent solution, not a committee report. If Congress dominates the debate, compromise and competing demands may result in defense policy, force structure and budgets that are incoherent and inconsistent. Eisenhower and Reagan achieved their defense programs, while Truman, Nixon, Ford, Carter and Bush did not. Eisenhower was the one to achieve success in a post-conflict period, and he was uniquely positioned in experience and popularity. Only strong Presidential leadership will bring Congress and the nation to pay for continued high quality military forces. This is another area of concern in the current drawdown, which began with Congress having the upper hand over President Bush, and perceptions of inexperience in President Clinton. The lesson is that the President must lead the defense drawdown.

More than incremental differences in direction, it is important that post-conflict defense policy be consistent, and that budgets act in concert with policy. This means that Congress must resist cutting "painless" defense accounts, personnel and operations, and keep funding in balance with force levels. The personnel-budget ratio will have to get better as force levels decline. Here, too, there is cause for concern. Defense budgets have provided the primary source for reductions in the fiscal year 1994 budget. In future years, it will be necessary to continue base reductions and weapon system

cancellations if the balance between force levels and funding is to be maintained. The challenge enunciated by Truman and repeated by Eisenhower and Ford, that the nation find and maintain a sustainable force level, is more important than ever

G. CONCLUSIONS

Prior to the Eisenhower administration, there was a general expectation that conflicts would be followed by demobilization to pre-conflict defense levels. Because of that philosophy, America was unprepared for all its major conflicts, and had to react to with crisis mobilization and increased defense budgets. Both World War II and Korea saw full war-time mobilization and funding, and both were followed by periods of rapid demobilization and immediate defense budget cuts. In that respect they differ greatly from the current drawdown, which has proceeded at a more gradual rate.

During the early days of the Cold War, from 1955 to the Vietnam conflict, President Eisenhower kept force levels and defense budgets relatively stable, at higher than pre-war levels, but lower than many political elements demanded. Defense policy was stable, and reductions in defense budgets were incremental rather than radical, with personnel reduced more than funding.

After Vietnam, the all volunteer force replaced the draft, and defense budgets were expected to rise on a per-unit basis as required to support higher manning costs and technological innovation. Defense expenditures did rise, but during the high

inflation of the 1970's increases were insufficient in real terms to sustain readiness. "Hollow forces" resulted.

The Reagan defense buildup increased spending more than force levels. While there was no doubt some inefficiency in the spending, defense readiness did improve. Unfortunately, the buildup was funded through deficits.

In the current drawdown, defense spending will decline 47 percent in real terms. Manning will be cut less, only 35 percent. Theoretical mission requirements have been eliminated or reduced, but actual tasking and employment of forces has not visibly decreased. If these trends continue, imbalance between funding and force levels similar to those of the post-Vietnam conflict could reoccur.

This research has led to conclusions regarding the three thesis questions. They are made with the understanding that the nature of post-conflict defense drawdowns is inherently political, competitive, and fiscal. The debate flows from two sources: the executive--legislative competition, and a philosophical divide between the two views of readiness outlined in Chapter II. In the end, it is competition for resources that drives budget decisions.

First, President Eisenhower was uniquely successful among post-conflict Presidents in maintaining the balance between force levels and funding during post-conflict drawdowns. Second, the post-Vietnam "hollow forces" occurred when funding was insufficient in the face of inflation to sustain the change to

the all volunteer force. Third, early signs in the current reduction point to the possibility of similar difficulties in balancing reductions in forces and budgets. Though a not an objective, the research concludes that the Reagan buildup's success lay in quality improvements more than quantity increases.

H. RECOMMENDATIONS FOR FUTURE RESEARCH.

A primary interest of the research was the cause of hollow forces. The research has pointed to several areas where additional research and analysis would provide greater understanding in budgeting for reduced force levels. Because we are headed towards the smallest force in over 50 years, the ratio between funding for personnel accounts and active duty forces is worthy of closer examination. More detailed analysis could test the hypothesis that the all volunteer force was in fact underfunded in the post-Vietnam period.

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